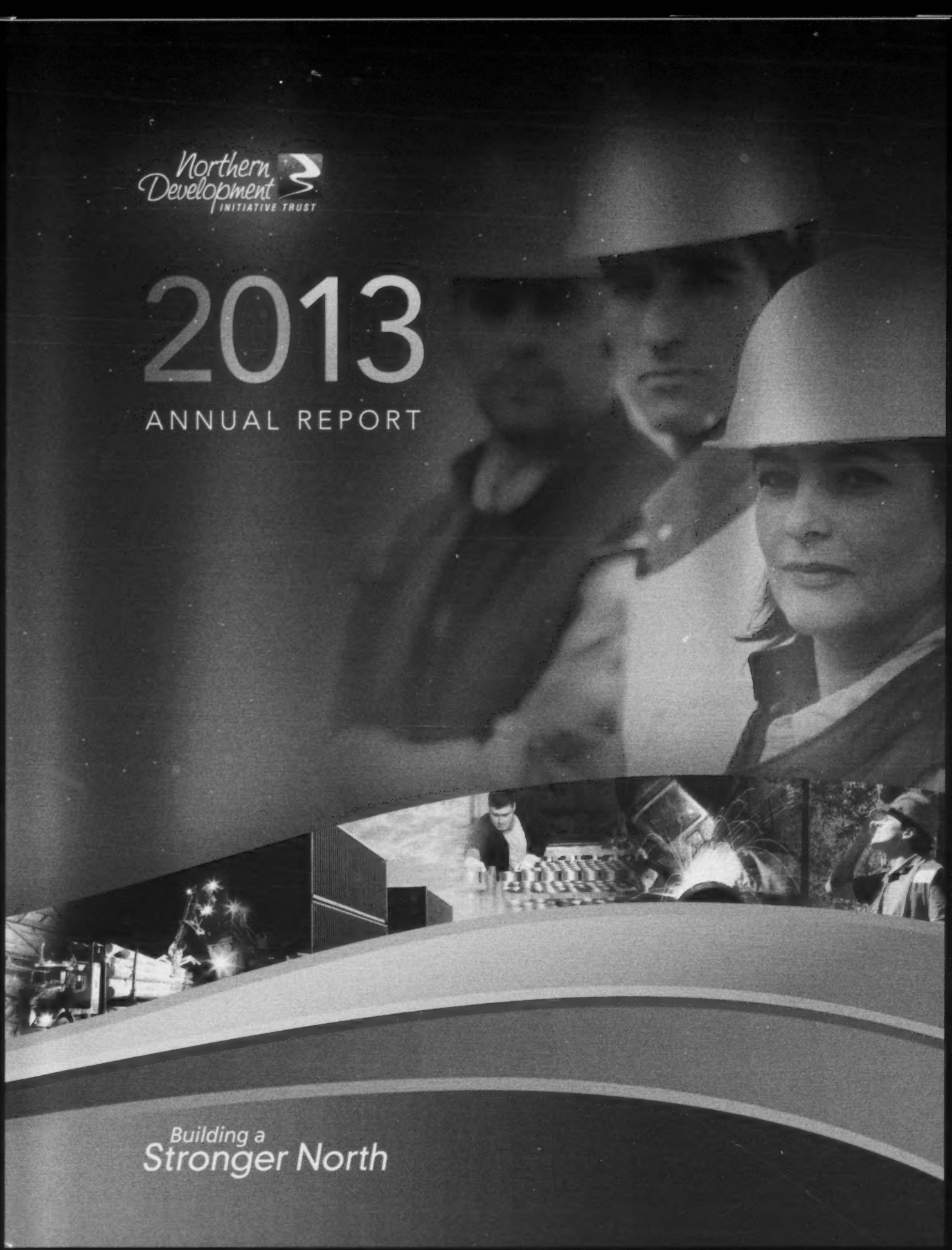
Northern Development Initiative Trust

2013 ANNUAL REPORT



Building a Stronger North

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2013 Message from the Chair and CEO

Central and northern British Columbia continued to prosper in 2013 as the wave of major industrial projects across the region picked up speed, providing new opportunities for businesses, local governments, First Nations and non-profits to utilize Northern Development Initiative Trust's slate of funding and capacity building programs.

2013 proved to be another remarkable year for the Trust. Northern Development approved $6.1 million in funding for 222 economic development projects in 2013 – and the board approved more than 99% of funding applications submitted to the Trust. As of December 31, 2013, Northern Development had committed $115.5 million in funding to 1,268 projects since the Trust was created.

As a result of that funding commitment, the Trust has helped create nearly 6,090 new jobs in central and northern British Columbia. But this would not have been possible without the 2,152 partnerships the Trust has teamed up with to attract more than $1.14 billion in new funding to the region.

The Trust's annual return on investment has also remained above industry benchmarks. This is an important strategic objective of the Trust because it provides the operational funds with which to develop best practices, economic development partnerships, invest directly into program delivery, aid in capacity building and support business development. Since inception in 2005, the annual return on investment for the Trust's $185 million capital base has averaged 7.5%, with a 2013 return on investment of 12.8%.

In 2013, the Trust managed 13 distinct funding programs and a host of capacity building services that provides crucial support to 49 local governments and 88 First Nations communities in an area that encompasses 75% of B.C. The 2012 Northern Development board decision to combine the regional funding accounts has already paid off for communities throughout central and northern B.C. In 2013, approximately $1.2 million in funding was submitted and approved for the Prince George region, compared with only $134,000 in 2012, representing an 800% increase in funding approvals in one year.

In addition, funding approvals in the Northeast region more than doubled in 2013 to $740,817 compared with $304,782 in 2012. The Northwest region also witnessed a significant increase in funding approvals in 2013 to $762,605 from $533,059, while funding approvals in the Cariboo-Chilcotin/Lillooet region held steady at $504,957 in 2013 compared with $504,978 in 2012.

The combined accounts and increase in funding approvals has been good news for small communities throughout the Trust's service area – approximately 72% of Northern Development's funding approvals go into communities with less than 5,000 people.

Last year, the Trust also moved the first funding application intake date for 2014 to November 2013, which has meant that project proponents were able to receive funding approvals from Northern Development earlier in the calendar year than ever before.

2013 was also notable for the number of airport improvement projects that the Trust approved throughout the region. Northern Development approved a total of $915,394 for airport investments in 2013, supporting infrastructure upgrades in Quesnel, Fraser Lake, Fort St. John and the Northern Rockies.

2013 was also a successful year for new programs. The Buy-Local (Small Town Love) pilot project was approved in the summer and generated a lot of positive marketing buzz for hundreds of small, independent businesses in six communities throughout the region. The Supply Chain Connector was created in 2013, launching the most robust industrial supply chain procurement database in the province. The Trust's Business Façade Improvement program also launched with 12 communities participating in 2013.

The first half of 2013 also marked the launch of the Trust's Local Government Management Internship program. Building on the success of the Economic Development Internship program, the Local Government Management Internship program created six one-year management intern positions in communities throughout the region for recent university graduates. The communities hosting interns told us that the Local Government Management Internship program provided them with incredible value in 2013. Several of the graduates in the program have already secured permanent jobs in the region months before their internships were scheduled to end.

With more funding approvals, more projects and more programs that are responsive to the needs of communities, there's no question that Northern Development delivered on its promise to build a stronger north in 2013, and will continue doing so in 2014.

Evan Saugstad
Chair
Northern Development Initiative Trust

Janine North
Chief Executive Officer
Northern Development Initiative Trust

Governance

Northern Development Initiative Trust's 13 member board of directors consists of eight elected local government officials appointed by the four regional advisory committees, and five regional business leaders appointed by the Province of British Columbia. All 13 directors must be residents of the Northern Development region. The board is committed to upholding Northern Development's strategic direction, policy decisions and effectiveness, while being transparent and open to the residents of the region. The board meets quarterly and as required. Northern Development's board of directors in 2013 follows:

Appointed by Regional Advisory Committees:

Lori Ackerman
Mayor, Fort St. John
Northeast Region

Shari Green
Mayor, Prince George
Prince George Region

Ted Armstrong
Director, Cariboo Regional District
Cariboo-Chilcotin/Lillooet Region

Carol Kulesha
Mayor, Queen Charlotte
Northwest Region

Bill Streeper
Mayor, Northern Rockies Regional
Municipality (Fort Nelson)
Northeast Region

David Pernarowski
Mayor, Terrace
Northwest Region

Mitch Campsall
Mayor, 100 Mile House
Cariboo-Chilcotin/Lillooet Region

Gerry Thiessen
Mayor, Vanderhoof
Prince George Region

Appointed by the Province:

Evan Saugstad
Chair
Provincial Appointee -
Northeast Region

Daniel J. Schilds
Finance Committee Chair
Provincial Appointee -
Northeast Region

Terry Kuzma
Provincial Appointee -
Prince George Region
(Resigned from board - July 3, 2013)

Gerald Wesley
Vice Chair
Provincial Appointee -
Northwest Region

Alexander Pietralla
Provincial Appointee -
Northwest Region

Thomas Hoffman
Provincial Appointee -
Cariboo-Chilcotin/Lillooet Region
(Appointed by the Province - November 27, 2013)

The Northern Development board is also advised by the four regional advisory committees that each elect two directors to the board. The four regional advisory committees are comprised of 64 locally elected leaders from each of the regions. The current list can be found at: http://northerndevelopment.bc.ca/our-team/regional-advisors. 18 elected regional advisors advise the Cariboo-Chilcotin/Lillooet fund, while 12 advise the Northeast fund, 22 advise the Northwest fund and 12 advise the Prince George fund. Regional advisors meet quarterly to review funding applications, policy recommendations, strategic plans and to discuss regional economic development issues. Local and regional intelligence, a low level of bureaucracy and a strong focus on engaging communities as partners enable Northern Development's highly effective funding delivery model.

Funding approval for projects located in the Northeast more than doubled in 2013 to $740,817 compared with $304,782 in 2012.

PicBC/Andrew Tyolsky

Vision, Mission and Priorities

Northern Development Initiative Trust was established in November 2004 through the Northern Development Initiative Trust Act by the provincial government as an independent regional economic development corporation focused on stimulating economic diversification and job creation in central and northern British Columbia. Northern Development Initiative Trust covers over 75% of the province that includes 39 incorporated municipalities, nine regional districts, one regional municipality and 88 First Nations communities. The corporation supports community economic development initiatives through capacity building, community development funding and business development.

VISION

That northern B.C. has world-class industries, diversified regional economies and growing, energetic communities.

MISSION

The Trust exists to stimulate economic growth through strategic and leveraged investments that build a strong and diversified economy in central and northern British Columbia.

ORGANIZATIONAL OBJECTIVES

There are five priorities that support Northern Development's vision and mission:

- Funding Program Delivery
- Business Development
- Capacity Building
- Investment Attraction
- Demonstrating Best Practices

Northern Development seeks to influence others to invest in economic development, to create a positive investment climate and influence the types of growth that will be sustainable, diversify local economies and benefit the people of the north.

Strategic Plan

Northern Development is guided by an ongoing three year strategic plan. This plan contains a year-by-year work plan for each year, as well as the previous year's results. The strategic plan can be accessed through Northern Development's website under the "About" Northern Development tab. The strategic plan also recognizes the five organizational objectives of capacity building, funding, investment attraction, business development and demonstrating best practices. In addition to the organizational objectives and performance indicators contained in the strategic plan (and covered in some detail throughout this report) the following items highlight 2013 goals that were achieved from the 2013 to 2015 strategic plan: provide strategic communications templates, strategy and advice to 21 communities; deliver 11 contractor-supplier boot camps including two customized for First Nations businesses; launched Supply Chain Connector database with an initial 1,100 northern B.C. based businesses to assist industry with targeted regional procurement; and reviewed 341 funding applications and completed comprehensive review and provided ongoing support to applicants.

In August 2013, the Trust's board of directors approved a $250,000 grant to expand the Haida Gwaii Higher Education Society's community-based natural resource programs for university students. (Masset Marina pictured)

Financial Structure

After the Province of British Columbia legislated the Northern Development Initiative Trust Act in the fall of 2004, government made two deposits into the Trust totaling $185 million. The capital was divided into seven accounts and included $20 million in each of the four regional development areas: the Cariboo-Chilcotin/Lillooet, Northeast, Northwest and Prince George regions. These accounts are held for investment in each designated region through Northern Development programs.

A Cross Regional Account, for projects that have positive economic impact across regional boundaries, was seeded with $50 million. A Pine Beetle Recovery Account was also created with $30 million, and is designated to create economic diversification in Pine Beetle affected areas. The Operating Endowment was initiated with $25 million, and the investment income from this account funds the annual operating budget for Northern Development including staff, board and regional advisory committees.

Funds for each of the accounts are invested in the region through loans to local government and not-for-profit societies, as well as a balanced portfolio of equity and fixed income instruments. Northern Development's Statement of Investment Policies and Procedures governs how the Trust handles investments, its mix of assets, performance goals for each assets and prohibitions. The asset mix consists of two types of fixed-income, and two types of equities and a fifth asset class held as cash equivalent. The following chart demonstrates the opening deposits and the balances of Northern Development's funds as of December 31, 2013:

Total Capital	$185.0M	$218.4M
Development Accounts	**2005**	**2013**
Prince George	$20.0M	$29.2M
Cariboo-Chilcotin/Lillooet	$20.0M	$23.3M
Northwest	$20.0M	$23.7M
Northeast	$20.0M	$28.3M
Cross Regional Account	$50.0M	$60.1M
Pine Beetle Recovery Account	$30.0M	$25.6M
Operating Endowment Account	$25.0M	$28.2M

In 2013, more than $6 million was committed to grants, loans and loan guarantees for economic development projects. The grants and loans approved each year are funded through the income stream generated by the development accounts. Northern Development's operational and administrative budget is funded through the income stream earned from the Trust's Operating Endowment Account.

For more information on Northern Development investments and account balances, please see the detailed account information provide on pages 46 and 47 of this report.

Northern Development Priorities

Northern Development's stakeholders are the residents of central and northern British Columbia, all levels of government acting in the north, and all other parties interested in building a stronger north.

Northern Development recognizes five organizational objectives in its mission and vision. These priority areas are reflected in the strategic plan and annual report, which are meant to create stronger relationships among stakeholders:

Funding Program Delivery

To develop and maintain critical grant, loan and other programs that sustainably dispense funding to high value projects that support community and economic development throughout the Trust area.

Business Development

To facilitate the growth of manufacturers and suppliers in the region, enabling local economic growth associated with major resource developments and infrastructure projects.

Capacity Building

To maintain and increase the Trusts' reputation as a sustainable organization that contributes to the continuous growth and development of economic development skills, abilities and scope in all communities within its service region.

Investment Attraction

To raise the profile of central and northern B.C. in regions beyond our own in an effort to attract new residents, workers and investors to the region.

Demonstrating Best Practices

To responsibly steward the capital base of the Trust for the benefit of member communities and maintain a reputation for the highest standards of responsiveness, client service and collaboration in regional economic development.

The following sections of the annual report provide further insight into Northern Development's over-arching goals and achievements in relation to these strategic objectives. It also explains how Northern Development addresses each of these five priority areas to aid in building a stronger north, and provides a summary of impacts resulting from Northern Development's implementation of these strategic priorities.

Goals and Achievements

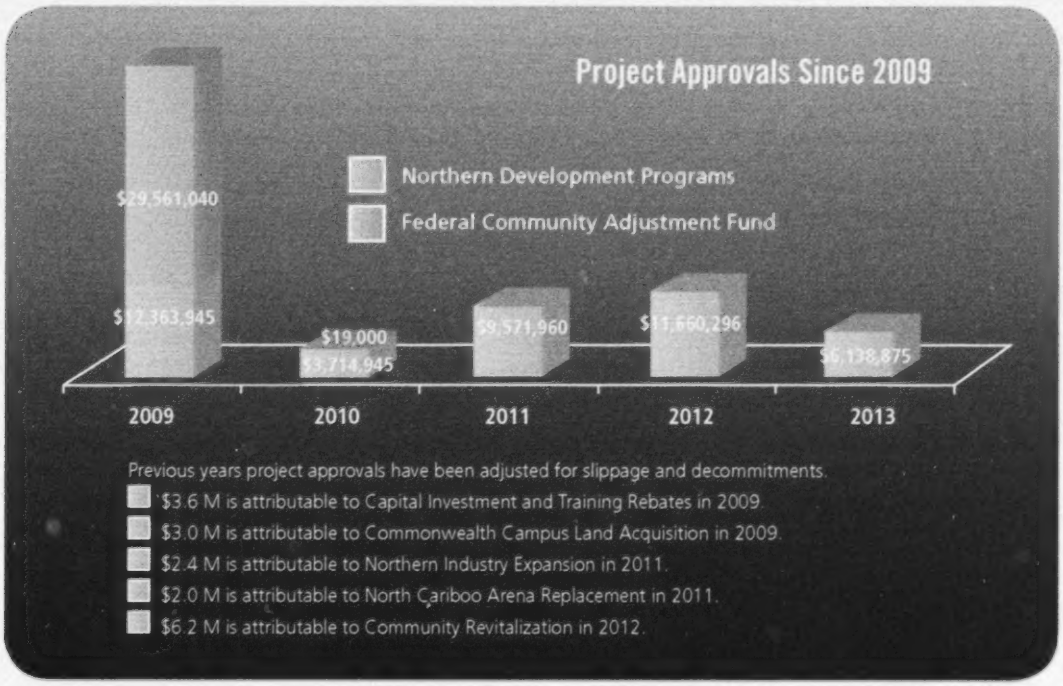
Northern Development Initiative Trust's primary goal is to, directly and through leveraged investment, bring between $1 and $2 billion into communities of the region to aid in realizing their economic potential by 2020, and to have a sustainable base of $185 million to continuously meet those goals.

Total project funding of $115.5 million was approved from inception in 2005 through December 31, 2013. This has been leveraged with other funding to bring a total commitment of $1.14 billion in project funding to the region in just over eight years, meeting the minimum threshold of this goal early. The capital base of Northern Development on December 31, 2013 was $199.2 million in investments and $19.2 million in loans receivable for a total of $218.4 million. An additional $4.2 million of Community Adjustment Fund loans receivable flowed through to the federal government as per the program delivery agreement.

The goals and achievements developed with stakeholders in supporting this main goal of bringing $2 billion of investment to the region by 2020 are found below. These goals are explained in the context of each of the Trust's areas of support, and, where appropriate, comparative statistics on achievements have been provided.

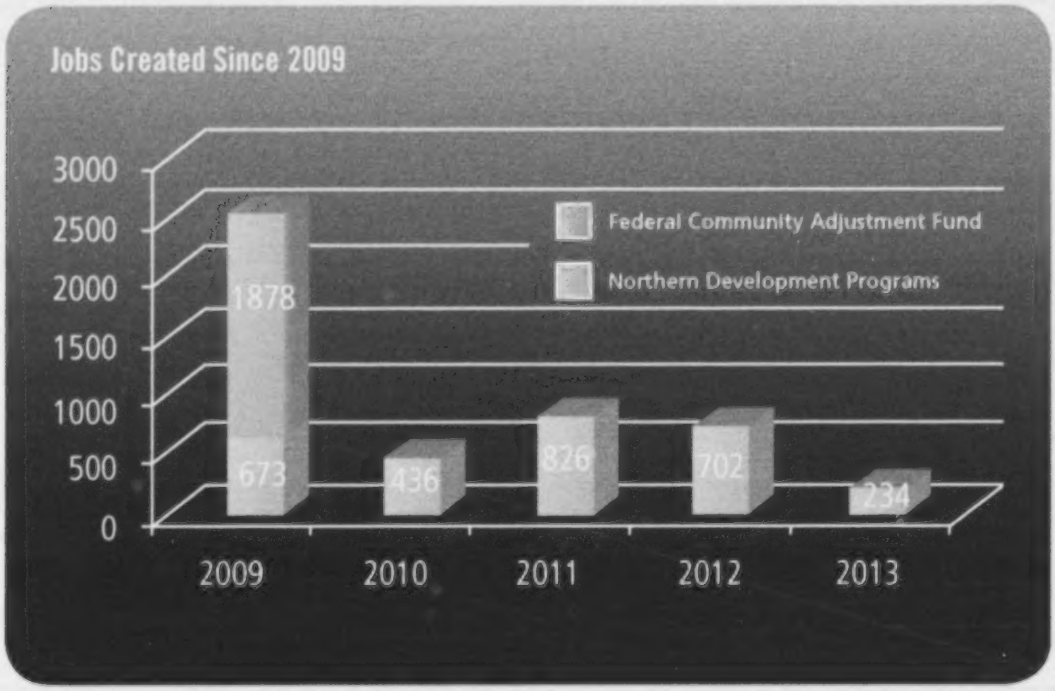
1) Over 2,000 funding partnerships and 1,000 projects by 2020

This goal demonstrates the effectiveness in partnerships and networking, while continuing to create positive community impacts through funding program delivery. Since inception, 2,152 partnerships with Northern Development supported 1,268 projects. In 2013, 267 partnerships and 222 new projects surpassed the annualized target of 67 projects and 133 partnerships.


Project Approvals Since 2009
Northern Development Programs
Federal Community Adjustment Fund
$29,561,040
$12,363,945
$19,000
$3,714,945
$9,571,960
$11,660,296
$6,138,875
2009
2010
2011
2012
2013
Previous years project approvals have been adjusted for slippage and decommitments.
$3.6 M is attributable to Capital Investment and Training Rebates in 2009.
$3.0 M is attributable to Commonwealth Campus Land Acquisition in 2009.
$2.4 M is attributable to Northern Industry Expansion in 2011.
$2.0 M is attributable to North Cariboo Arena Replacement in 2011.
$6.2 M is attributable to Community Revitalization in 2012.

2) 10,000 jobs by 2020

Job creation is a key indicator of the effectiveness of the programs in supporting the strategic objectives of the Trust. To date 6,090 jobs have been created, reaching 60.9% of the Trust's overall goal. There were 234 new jobs reported between all funding programs in 2013. The total below includes 1,878 jobs created through the Community Adjustment Fund with federal flow through funding in 2009.

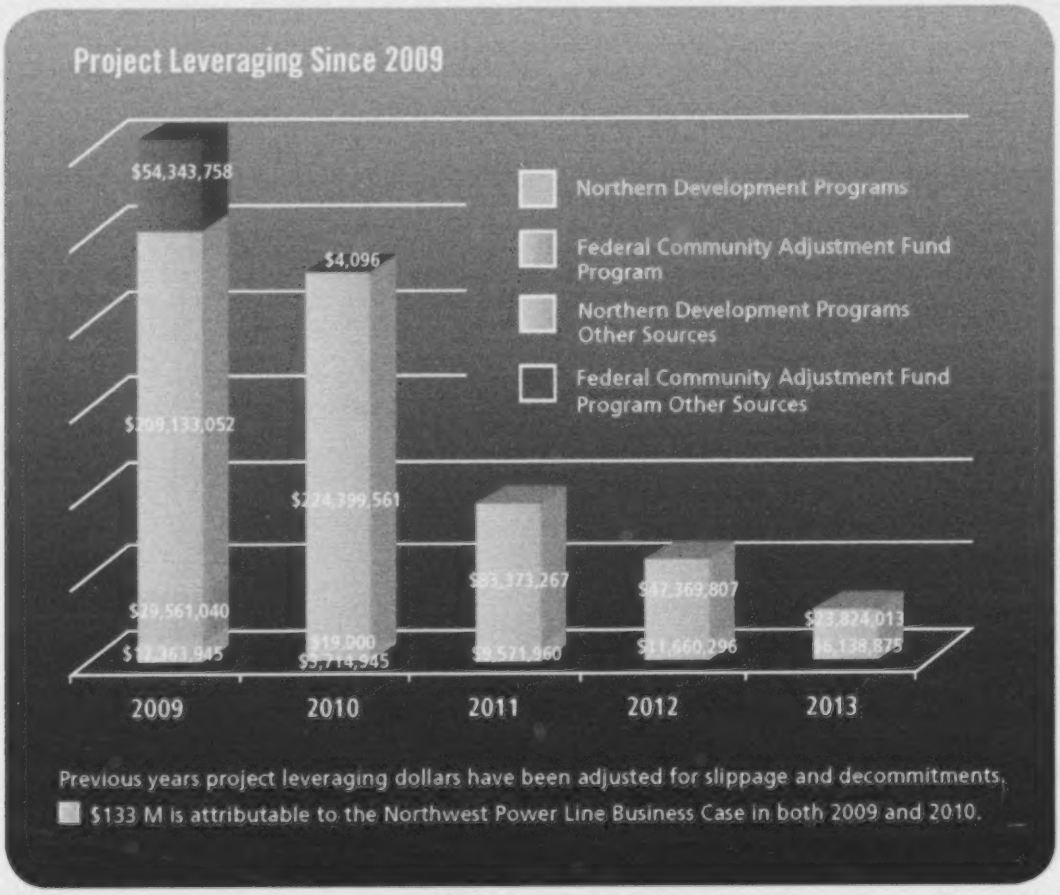


3) 100% of communities engaged and positively impacted

Every community in Northern Development's service region had projects that generated positive impacts by 2008, supporting Northern Development's goal of partnership and networking with all stakeholders in the entire Trust area. 100% of the 49 incorporated municipalities and regional districts were engaged in funding program delivery and building economic development capacity in 2013, meeting stakeholder expectations. This goal has since been removed from the 2014 - 2016 strategic plan because it has already been achieved.

4) Leveraging ratio of at least $2.50 from other sources for every $1 invested in projects

Leveraging ensures more funding dollars are attracted to the region each year to invest in projects and programs that strengthen the economy. The cumulative aver e since inception of the Trust is $1.00 from Northern Development to $8.89 from other sources, which far surpasses the $1.00 to $2.50 goal. Leveraging is primarily established in project applications as "Other Funding Sources" provided by proponents and verified by Northern Development staff.



5) Annual Return on Investment (ROI) above industry benchmarks

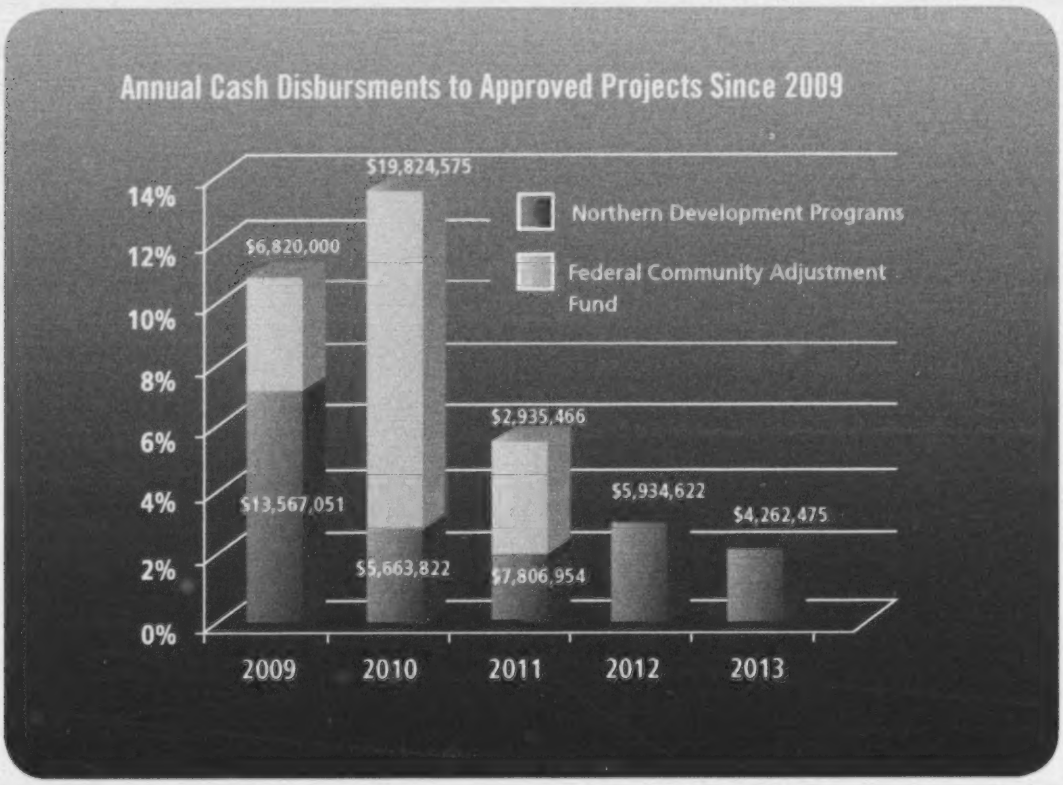
This goal supports the strategic objectives of the Trust by providing operational funds with which to develop best practices, economic development partnerships, invest directly into program delivery, aid in capacity building and support business development. Returns have averaged 9.92% over the previous five years on a conservative balanced portfolio. In 2013, combined returns of 12.81% exceeded benchmark indexes on both fixed income and equity investments. More information on investment balances and performance can be found on page 47 of this report.

In the last nine years, Northern Development's board of directors has authorized more than $115 million in funding disbursals to the regions it serves while maintaining its original capital base.

Northern Development's 2013 Board of Directors.

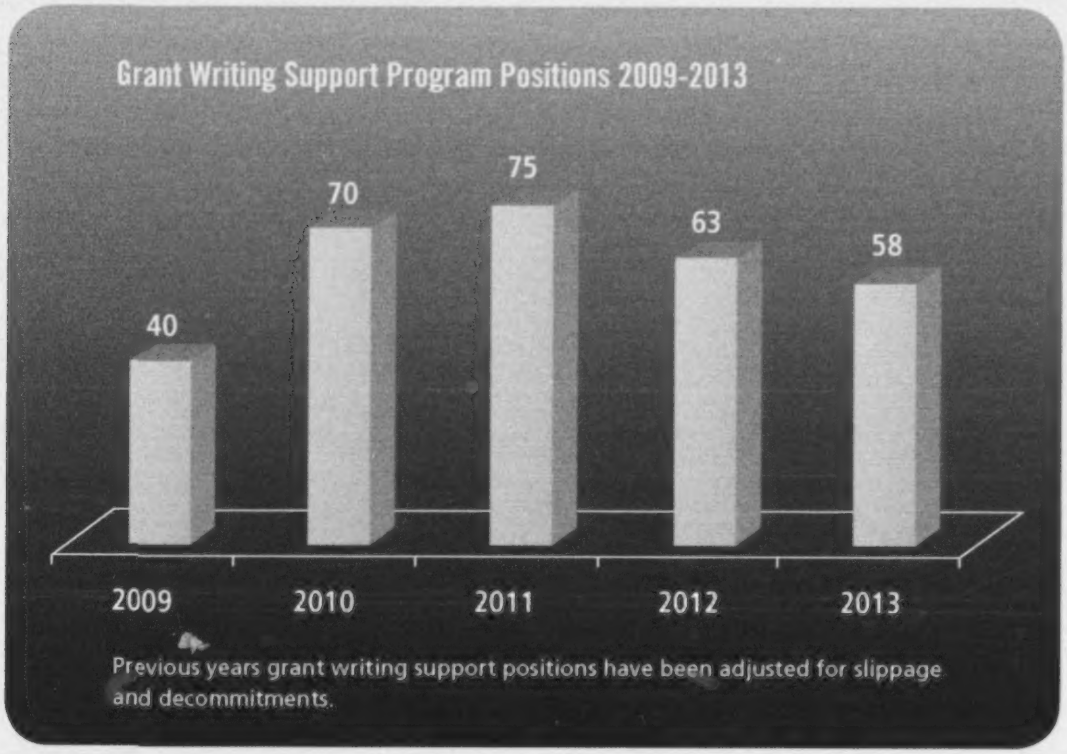
6) Average long term Return on Investment (ROI) of 5% annualized on cash flow out to projects divided by the starting capital base of the Trust

This goal supports the strategic objectives of the Trust by ensuring that program delivery, capacity building and business development initiatives are maximized in relation to the size of Northern Development's investment portfolio. Since inception the average amount flowed to projects as a percentage of the capital base (ROI) is 5.83%, which continues to surpass our annualized goal. Cumulative return on investment is 52.2% from January 2005 to December 31, 2013.



7) To enable the hiring and training of up to 46 community and First Nations grant writers annually and provide support to non-profit organizations in the form of at least four grant writing training sessions annually.

This goal supports the strategic objectives of the Trust through assistance to municipalities, regional districts and First Nations bands to build grant writing capacity and expertise that leads to a direct increase in funding for projects and programs in central and northern B.C. Since 2007, communities have hired 338 grant writers through the Northern Development Grant Writing Support program. During 2013, 58 grant writers were supported, exceeding the annual goal of 46. In 2013, a total of 317 grant applications for $11.0 million were applied for by community based grant writers and it has been reported that communities have been approved for $5.5 million in grants to date.



8) To facilitate the establishment of 2,000 hectares of land for industrial development

This goal supports the strategic objectives of the Trust by increasing the economic development capacity of northern communities. 4,026 hectares in industrial land have been facilitated in the Prince George development region to date, with the Airport Industrial Lands removal in principle from the Agricultural Land Reserve, and the Regional District of Fraser-Fort George Industrial Land studies funded by Northern Development. Project investment portals developed in 2012 will further increase the capacity of communities to market industrial lands. Communities within the region are also sharing templates with First Nations for joint partnership agreements to develop crown land, as well as utilizing Northern Development funding for communities to pro-actively partner for a stronger economic development future.

9) To streamline the "get to yes" process to less than 90 days for a complete application

This goal demonstrates best practices in funding approval and client services and supports the strategic objectives of the Trust. Depending on the program, proponents receive decisions on applications within 5-100 days. The average time for an application approval following submission was 21.7 days in 2013. This is far less than the average approval length goal of 90 days, and is slightly lower than the 22.9 days reported in 2012.

10) To have projects in every mandated area of the legislation

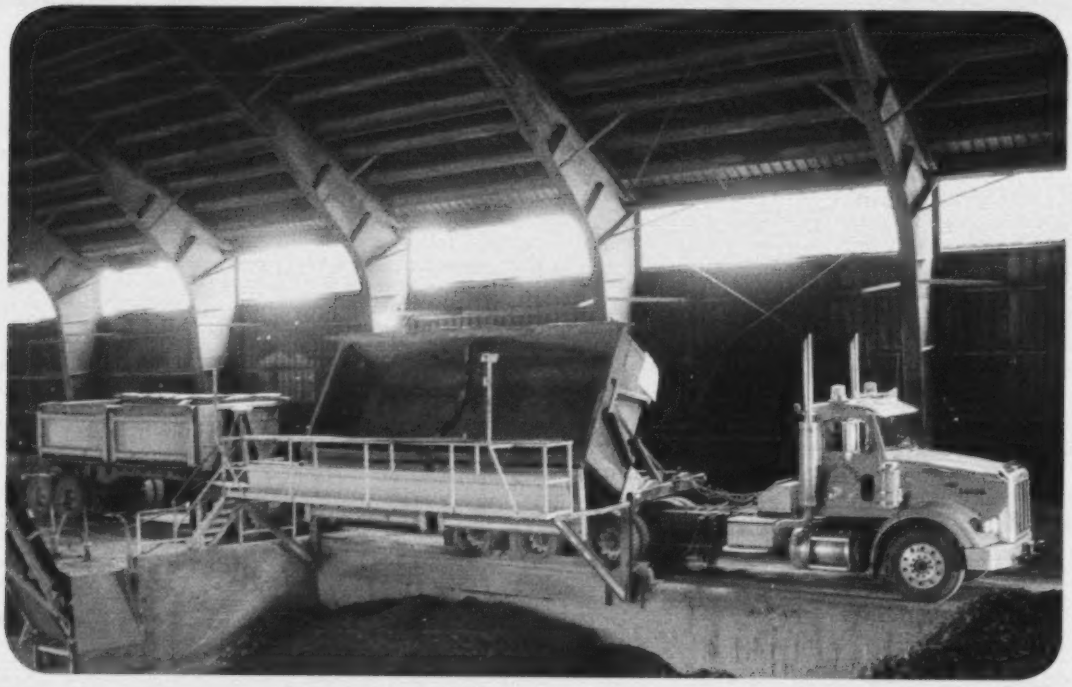
This goal supports the strategic objectives of the Trust by ensuring program delivery reaches a large cross-section of potential project proponents. Northern Development reached this goal in 2008, and a detailed analysis of current funding by these legacy areas is provided in the section of this report dedicated to analysis of the legislated investment areas (refer to page 48 of this report).

11) To engage the private sector (business/investment dollars) in more than 30% of all Trust projects

This goal supports partnerships and networking between communities and industry, and also encourages manufacturing and supply sector development, which is a core strategic objective for the Trust. Independent businesses invested in 26% of all projects (329 of 1,268 total approved projects) as of December 31, 2013. This is 0.3% more than in 2012 and incorporates 57 new projects with private sector involvement that were approved in 2013. This includes all projects where businesses are listed as a proponent or a funder.

12) To provide exceptional client service

This goal supports the strategic objectives of the Trust by exhibiting adherence to best practices and continuous improvement. Annual client satisfaction survey in 2013 resulted in a 99% overall approval rating, and in 2012 provided a 98% overall approval rating. Both of these results surpass the goal of achieving a 90% overall satisfaction rating.



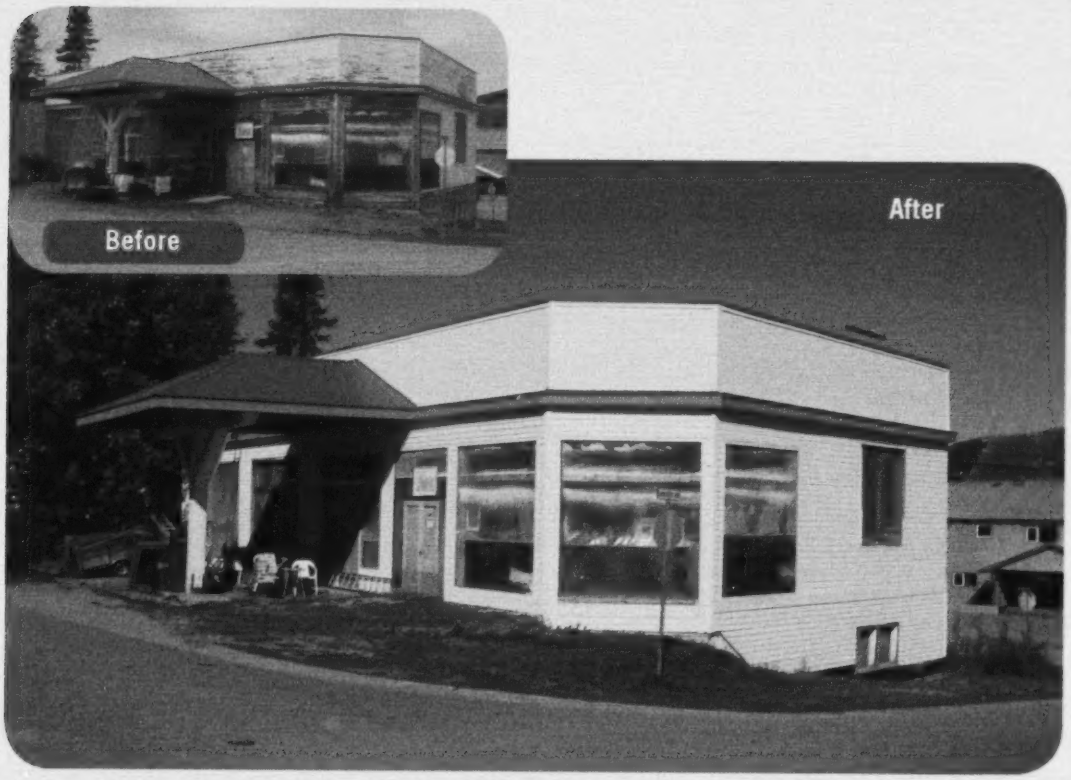
Brodie Guy

Northern Development has worked proactively with industry throughout central and northern B.C. to ensure its programs and services meet the needs of major industry as well as communities and small and medium-sized businesses.

Funding Program Delivery

Northern Development delivers 13 distinct funding programs that support capacity building, business development and the development of community infrastructure throughout the region.

During 2013, staff worked very closely with local governments, First Nations, non-profits, and businesses that wished to access Northern Development funding throughout the region and $6.14 million in project funding was approved. Staff continue to be focused on providing a high level of client service, coaching applicants to success, networking with other funding agencies to move projects forward and conducting due diligence prior to board recommendations on all projects.



Deluxe Junk, an antique used furniture and curio shop in Wells, received funding through Northern Development's Business Façade Improvement program in 2013 to give its 1930's era building a facelift.

Business Development

Northern Development acts as a catalyst to stimulate business development throughout central and northern B.C., creating wealth through employment and thereby contributing to building a stronger north. Northern Development provides direct support to manufacturers, innovators, processors and their suppliers to grow their businesses, implement world-class business practices and become more competitive in the global market. Northern Development currently has two established programs aimed at supporting business in an effort to build a stronger north:

Business Development Programs

Competitiveness Consulting Rebate Program

The Competitiveness Consulting Rebate program provides a rebate to small and medium sized companies engaged in manufacturing, innovative technologies, resource processing, transportation, distribution and their first line suppliers for outsourced consulting services. A rebate of up to 50% to a yearly maximum of $30,000 can be recovered for the cost of external business consulting projects. Projects must focus on increased productivity, new or incremental revenues, profitability and/or job creation. Eligible companies must be privately owned, incorporated and have a base of operations within the Northern Development Initiative Trust region.

The program allows companies to use a preferred consultant or obtain assistance to identify and select a qualified consultant with a verified track record of competitiveness consulting expertise. Applications are received and approved on a continuous basis throughout the year. The funding levels the playing field between northern companies and the Lower Mainland in terms of the cost of accessing top flight consulting expertise that will strengthen business revenue and job growth.

Total projects approved in 2013 **41**

Total dollars rebated in 2013

$395,888

Total consulting value in 2013

$829,416

Northern Industry Expansion Program

The Northern Industry Expansion program provides small and medium sized manufacturers, resource processing companies and first-line suppliers with incremental capital in the form of supply chain financing or working capital to help expand their businesses to meet the demands of today's marketplace. Northern Development has dedicated $15 million to this two-pronged program, expanding the available capital pool to small and medium sized businesses throughout central and northern B.C.

Loan Guarantee

The Northern Industry Expansion Loan Guarantee program provides a guarantee of up to 25% of the authorized loan provided by a bank, which significantly increases the amount of capital a company can access to meet the demands of new contracts in central and northern B.C.

This program supports viable growth projects that are lacking sufficient tangible security to acquire the necessary level of financing to pursue their projects. Companies accessing this leverage can accelerate cash flow to increase their competitiveness, while creating a solution for fast growing, seasonal or large one-time contracts.

Supply Chain Financing

Supply chain financing guarantees are delivered in partnership with the National Bank of Canada. This form of financing includes both financing of purchase orders (accounts payable), and of invoices to customers (accounts receivable) in order to retain more working capital in the company. Eligible companies may obtain the financing needed to purchase materials that require an outlay of more cash than a company might have on hand after it has a signed contract.

In the case of receivables financing, a company can use an invoice with an end customer to access cash up front from National Bank. Large invoices that might not be paid to a small or medium sized business for 120 days after a project is completed strain a company's cash flow. Receivables financing would finance 100% of the receivable for the company to alleviate any short-term cash flow challenges before the invoice is paid. This type of financing supports growing companies that may have working capital needs greater than their existing line of credit.

Supply Chain Connector

The Supply Chain Connector was designed to help drive revenue and job creation in northern B.C. Northern Development Initiative Trust, in partnership with communities throughout northern B.C., launched the Supply Chain Connector in September 2013 – an online procurement database that allows major industry, communities and government to quickly locate northern B.C.-based businesses to help them build major projects. There is no cost to business to participate in this website.

The Supply Chain Connector has meant that more businesses and communities across the north can reap the benefits of major projects, generating new jobs and income for the region. The Supply Chain Connector was created in response to the wave of approximately $140 billion in major industrial projects proposed across central and northern B.C. In the past, major project proponents have awarded contracts to companies based outside of the region because they've struggled to locate northern B.C.-based businesses to carry out the work. The Supply Chain Connector adds capacity to the region to solve that problem, making it quick and easy for project proponents to locate the local expertise they need to build the mines, mills and hospitals of tomorrow, which sets northern B.C. apart from other regions across B.C.

The Supply Chain Connector launched in September 2013 with approximately 1,100 central and northern B.C.-based businesses. That number has since grown to include more than 2,000 businesses and has already generated results for local companies. In February 2014, the Trust received the following note from the principal of C.A.S. Forest Care Ltd: "Thanks for a great database on the Supply Chain Connector. Got "connected" on Wednesday, and received my first request for proposal on Friday! It was from Alberta! So excited."

The Supply Chain Connector builds on the previous success of northern B.C.'s regional investment portals (Invest in Northwest B.C., Invest in North Central B.C., Invest in Northeast B.C., Invest in Cariboo-Chilcotin Coast B.C., Invest in Thompson Nicola B.C.), which have helped investors connect directly with communities about major investment opportunities throughout the region.

Contractor-Supplier Boot Camps

Northern Development delivered nine contractor-supplier boot camps in 2013 as a formal business support initiative. The boot camps are designed to provide local industrial contractors and suppliers with the information they need to help position their businesses to take advantage of and bid on contracts associated with major projects throughout central and northern B.C. The boot camps work to support the marketing opportunities created for local businesses registered in the Supply Chain Connector. Together, these two business support initiatives help ensure that fewer goods and services will be outsourced to companies based outside central and northern B.C. and more money will be spent in communities that the Trust serves. Communities that took advantage of the contractor-supplier boot camps in 2013 were Dawson Creek, Lillooet, Mackenzie, Fort Nelson, Fort St. John (two boot camps were held), Houston, Quesnel and Williams Lake.

In 2013, Northern Development's contractor-supplier boot camps were immensely helpful for local business throughout central and northern B.C. that want to position themselves to take advantage of the major industrial projects coming their way.

Capacity Building

Northern Development supports community economic development activities through capacity building funding programs, and encourages collaborative projects that benefit multiple communities and have a regional approach. To date, Northern Development has committed $11.2 million to 618 capacity building projects worth more than $39.9 million. Capacity building programs include the Economic Development Capacity Building program, Governance Essentials Scholarship program, Grant Writing Support program, and the Buy-Local (Small Town Love) program

Capacity Building Programs

Economic Development Capacity Building Program

In 2013, the Economic Development Capacity Building program provided an annual rebate of up to $35,000 to support staff training and programs in municipalities and regional districts in Northern Development's service region. At least $5,000 of the annual funding is used to fund a collaborative economic development project with another municipality, regional district, First Nations band and tourism or industry association. This funding provides crucial support for municipalities and regional districts throughout central and northern B.C. that lack the budget and resources to pursue economic development initiatives on their own. The funding is used to directly support economic development staff and resources that help municipalities and regional districts pursue economic development initiatives they otherwise wouldn't have the resources for, and the collaborative nature of the funding promotes teamwork and partnerships across civic boundaries.

Total projects approved in 2013 **52**

Total projects approved since inception **262**

Total dollars approved in 2013
$1,895,551

Total dollars approved since inception
$8,658,372

Total dollars leveraged from other in 2013 **$7,657,851**

Governance Essentials Scholarship Program

The Governance Essentials Program for Directors of Not-For-Profit Organizations provides twelve need-based Northern Development Initiative Trust scholarships valued at $1,000 each. These scholarships are available annually to support the participation of not-for-profit board members who would not be able to participate in the program due to financial considerations. The goal of the program is to provide financial assistance to help not-for-profit board members in the region gain the skills and expertise they need to more effectively run community organizations. In 2013, two scholarships were applied for and awarded.

Grant Writing Support Program

In 2013, the Grant Writing Support program supported 58 communities with up to a $7,500 rebate that helped each community employ a locally based grant writer. The program provides exceptional value for communities in that it provides them with the resources to hire a locally-based grant writer who is dedicated to researching, applying for and accessing funding to support community projects that otherwise would be under-funded. The funding is provided to municipalities, regional districts, and First Nations bands

In 2010, the Lakes District Film Appreciation Society received a $30,000 grant from Northern Development to upgrade the Beacon Theatre in Burns Lake and boosted downtown revitalization.

In 2013, community-based grant writers that received financial support from Northern Development wrote applications for over $11 million in additional funding for important community projects throughout central and northern B.C. Since the program was launched, those same grant writers have been approved for more than $83 million in funding for community projects. By comparison, Northern Development has committed $2.5 million toward the program since it was launched, supporting 338 grant writing positions throughout the region.

The Trust has also provided additional capacity in the form of grant writing workshops to train current and potential grant writers in communities throughout the region. In 2013, eight 'Unlock Your Funding Potential' proposal-writing workshops were completed in Terrace, Prince George, Lillooet, Mackenzie, Houston, Smithers, Quesnel and Valemount with a total of 204 participants. 1,154 members of the public accessed the online grant writing webinar via the Trust's YouTube page.

Since 2010, community grant writers that have received financial support from the Trust have gone on to raise more than $83 million in additional funding for important community projects throughout the region.

Buy-Local (Small Town Love) Program

In 2013, six communities throughout central and northern British Columbia partnered with Northern Development to deliver buy-local campaigns to strengthen local businesses, local competitiveness and keep more dollars in the local economy.

The six communities included in the pilot program included the District of Logan Lake, the District of Fort St. James, the District of 100 Mile House, the District of Vanderhoof, the Village of Valemount and the Village of Burns Lake. Each of the six communities has a population of less than 5,000 residents.

The pilot program is a partnership between Northern Development and entrepreneur Amy Quarry, who created and launched the original "Small Town Love" buy-local initiative in the City of Quesnel. With more than 50 local Quesnel-based businesses working collaboratively under the "Small Town Love" marketing brand, Quarry's original program was extremely well received and highly successful (one-in-five Quesnel residents now own a copy of the first "Small Town Love" guide, which sold out in less than four months). The program is anchored by a strongly branded website with the highest quality photography, which features many independently owned local businesses.

The Northern Development-led pilot program supported the development of buy-local website portals that promoted local businesses in each of the six communities included in the initial partnership. Northern Development's board of directors approved a $75,000 budget for the pilot program. While many economic development initiatives concentrate effort on business recruitment and development of new industries, the buy-local program is a locally driven retention program that focuses on enhancing the strength of existing businesses.

Since the program launched, more than 200 locally owned independent businesses in those six communities have signed on to have their products and stories featured through unique community web portals. The portals – Love Logan Lake, Love Fort St. James, Love 100 Mile House, Love Vanderhoof, Love Valemount and Love Burns Lake – feature first-rate photography, storytelling and a variety of local businesses in each community that range from bakeries and coffee shops, to gift stores, salons, craftsmen and quilting and health food stores. Each of the web portals features a search bar and directory function to quickly find businesses online, plus a map function that helps residents and tourists to the community locate and visit each business with ease.

In July 2013, Northern Development Initiative Trust partnered with six communities in the region to deliver a unique marketing campaign that celebrates locally-owned independent businesses with an aim to strengthen their competitiveness and keep more dollars in the local economy.

Community Development Programs

To date, Northern Development has committed $63 million to 399 community development projects worth more than $781.9 million. Community development programs include the Business Façade Improvement program, Feasibility Studies program, Community Foundation Matching Grants program, Community Halls and Recreation Facilities program, Community Revitalization program, Economic Diversification Infrastructure program and the Marketing Initiatives program.

Business Façade Improvement Program

The Business Façade Improvement program provides annual grant funding for municipalities and regional districts located within central and northern B.C. The program recognizes that of attractive commercial and retail business areas are important components of healthy local economies and community growth.

The program enables all local governments who participate in the combined regional accounts to apply for $20,000 in partnership funding. The funding is provided to the municipality or regional district so that it can more effectively partner with, and rebate a portion of costs to local businesses that are keen to improve their storefronts.

Municipalities and regional districts applying to the program are required to develop and submit their business facade improvement plan/guidelines to the Trust before they can be approved for funding. The guidelines provide direction to local business owners on the eligibility criteria to obtain the business façade improvement grant from the municipality.

The program was launched in 2013 with $20,000 grants approved in 12 communities: Prince Rupert, Burns Lake, Quesnel, Lytton, Port Clements, Fort St. James, Wells, Smithers, Williams Lake, Fort St. John, McBride and Prince George.

Total projects approved in 2013 **12**

Total dollars approved in 2013

$229,520

Total project value in 2013

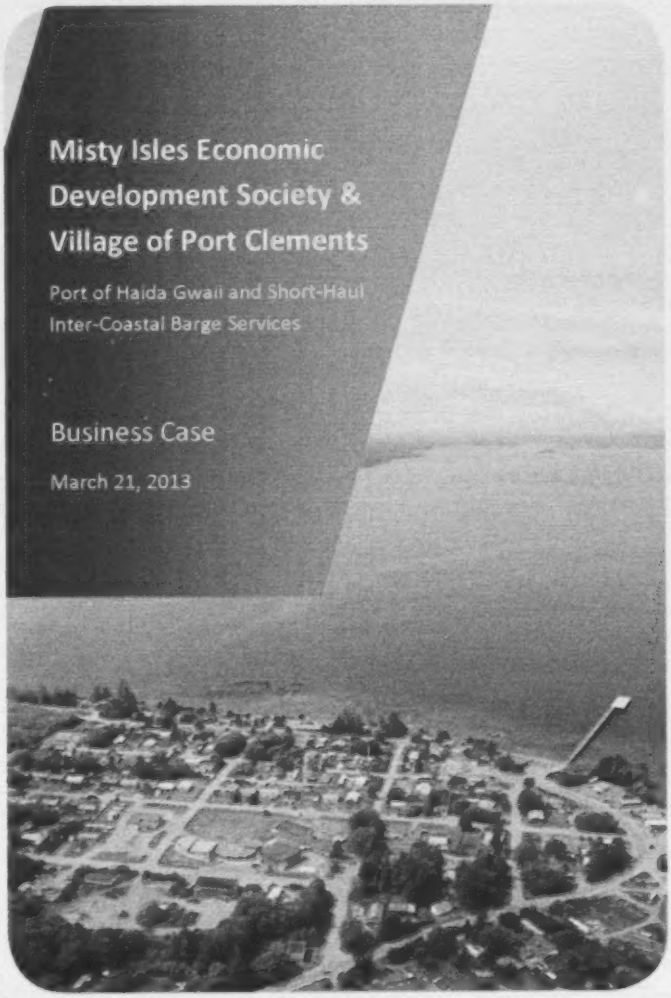
$549,520

Feasibility Studies Program

The Feasibility Studies program provides funding to help lay the groundwork for major infrastructure projects and capital investment in the region. Feasibility studies are crucial documents that help identify the need and business case for future infrastructure projects that support significant investment, job creation and community growth.

In 2013, the Trust approved $11,745 for two feasibility study projects with a combined project value of $52,110. Both projects were for studies located in the Northwest region, and included a tourism feasibility study for the Tahltan Band Council and a study of the Old Massett Lodge and Marina in the Village of Old Massett.

Since inception, the Trust has committed $1.54 million to 56 feasibility studies that had a total cost of $8.25 million. In many cases, feasibility studies that the Trust has funded have provided long-term value for the region. For example, in 2009, the District of Chetwynd received a $50,000 grant from the Trust toward a study to identify transportation constraints along Highway 97 that limit the movement of goods through the Pine Pass. In 2013, the Trust reported that the feasibility study led to $40 million in highway upgrades through the Pine Pass to improve safety and goods movement.


Misty Isles Economic Development Society & Village of Port Clements
Port of Haida Gwaii and Short-Haul Inter-Coastal Barge Services
Business Case
March 21, 2013

Northern Development's Feasibility Studies program has provided funding for reports that have built the case for major infrastructure investments throughout the region, including the Port of Haida Gwaii in Port Clements.

Community Foundation Matching Grants Program

The objective of the Community Foundation Matching Grants program is to help municipalities and regional district electoral areas in Northern Development's region support a local community foundation endowment that meets social, cultural, and environmental needs to increase quality of life in the north. Investments in community foundations exist in perpetuity, and promote local decision making within the community foundation framework to meet local needs.

The Trust provides up to $50,000 to match funds raised in the community to establish a dedicated endowment within a registered community foundation.

In 2013, the Trust approved one community foundation deposit for $10,000 into the Burns Lake and District Community Foundation. Northern Development matched the $10,000 deposit for a total of $20,000 into the Burns Lake and District Community Foundation. This investment represents another source of long-term funding provided by the Trust that helps maintain local wealth within communities and create positive economic and social outcomes.

Since inception, approximately $1.25 million in matching funds has been invested into 29 community foundations throughout the region, representing a total investment value of $2.7 million.

Northern Development provided $10,000 toward the establishment of the Burns Lake and District Community Foundation to support education, arts and culture and community initiatives in the Lakes District area.

Community Halls and Recreation Facilities Program

The Community Halls and Recreation Facilities program provides municipalities, regional districts, First Nations bands and registered non-profit organizations with up to 33% of a project's budget to a maximum of $30,000 in funding to improve or expand existing facilities in order to increase the number of events held annually in the community, contributing to service sector revenues in the local economy.

The program is specifically designed to benefit the local economies of small communities and rural areas where community halls or recreation facilities represent crucial and well-used assets that provide value for residents. The funding is available to all rural areas that would not usually have the opportunity to apply for funding for a larger economic diversification infrastructure project like a convention centre or airport.

The program also supports crucial upgrades in community halls that indirectly generate revenue for the local hospitality sector. In 2013, the Trust approved $650,469 for 22 community hall and recreation facility projects through central and northern B.C.

Some of the projects included an upgrade to the ice rink chiller in Prince Rupert, an outdoor rink restoration project for the Nak'azdli First Nation, a kitchen and bathroom upgrade for the Gitga'at First Nation's memorial centre in Hartley Bay, a new technical building at the Otway Nordic Ski Centre in Prince George that will support the 2015 Canada Winter Games and restoration of the community curling facility at the Forest Grove '94 Lions Club near 100 Mile House, among other projects.

Northern Development has approved $5.9 million in funding for 138 community hall and recreation facility projects throughout the region since the Trust was created.

Total projects approved in 2013 **22**

Total projects approved since inception **138**

Total dollars approved in 2013 **$650,469**

Total dollars approved since inception **$5,930,129**

Total project value since inception **$50,325,657**

Community Revitalization Program

The Community Revitalization program is an incentive program that is a partnership between communities and Northern Development to encourage new development and redevelopment in central and northern B.C.

The program allows communities to provide benefits through a Revitalization Tax Exemption program, whereby property taxes estimated over a 10-year period are made available to a property developer at the occupancy stage of their development. Future property taxes then flow back to Northern Development from the community.

The goal of the Community Revitalization program is to encourage developers to invest in downtown or community renewal projects that include: new market and non-market housing, commercial and mixed use development and green improvements. The municipality has the ability to develop a revitalization tax exemption bylaw that addresses its unique vision for attracting investment and increasing the tax base of the community. In 2012, the City of Prince George committed $6 million of funding to community revitalization initiatives. The program was then used to support the development of eight new market townhomes in the city's downtown area, supporting the city's vision for a revitalized downtown Prince George. There were no community revitalization program applications or approvals in 2013.

The Community Revitalization program resulted in a partnership between the Trust and the City of Prince George that has helped generate new investment in the downtown area.

Economic Diversification Infrastructure Program

The Economic Diversification Infrastructure program provides 70% of a project's budget up to $250,000 in funding for municipalities, regional districts, First Nations and non-profit organizations in Northern Development's service area for projects that significantly strengthen the local economy via a major capital investment such as a new sportsplex or airport improvements.

The program specifically targets funding for public multi-use facilities or capital investments that drive revenue and job creation and provide a long-term asset for the community. Municipalities, regional districts, First Nations bands and registered non-profit organizations are eligible to apply to the program via Northern Development's four regional development accounts.

In 2013, the Trust approved more than $2 million in funding for nine Economic Diversification Infrastructure projects that total $11,976,676 of investment throughout the region. The projects approved in 2013 included airport improvements in Quesnel, Fort St. John, Fort Nelson and Fraser Lake, as well as an expansion of the Haida Gwaii Higher Education Society Haida Gwaii Semesters program and a new arena in Smithers, among other projects.

Total projects approved in 2013 **9**

Total projects approved since inception **116**

Total dollars approved in 2013

$2,056,209

Total dollars approved since inception

$47,210,134

Total project value since inception **$299,577,119**

Marketing Initiatives Program

The Marketing Initiatives program provides up to $20,000 in grant funding to directly attract new investment and increase revenue in central and northern B.C. The program supports marketing initiatives that increase revenue generation within the local or regional economies of central and northern British Columbia, and in the past has supported marketing initiatives that promote everything from mountain biking in the Cariboo to regional tourism strategies.

In 2013, The Trust approved $147,974 for 16 marketing initiative projects. The projects included a marketing strategy for Smithers regional airport, promotion of Fort St. James' Music on the Mountain summer festival, support for Clinton's 150th and 50th anniversary celebrations and an agriculture marketing initiative in the Regional District of Bulkley-Nechako, among others.

Since inception, the Trust has approved 41 grant projects worth $533,915, which have contributed $2.6 million toward northern B.C. communities.

Northern Development provided funding though the Marketing Initiatives program to support the Village of Clinton's 150th and 50th Anniversary Celebrations.

Northern Development Internships

Northern Development Internship Program

The Northern Development Internship program has provided capacity to the region via human resources that support community initiatives throughout central and northern B.C. The internship program involves recruitment of recent university graduates from the region who can gain experience in economic development, communications, local government management and community marketing. During their time with the Trust and in communities, the interns learn the economic development skills that will allow them to be successfully recruited into careers with communities in the region.

Economic Development Internship

Northern Development provides up to six economic development internship opportunities to the best and brightest graduates in central and northern B.C.

This six-month internship program is intended for recent university graduates who are seeking careers in economic development in local governments in central and northern B.C. The program is designed to provide a unique immersed curriculum of training and experience that will provide an operational portfolio that demonstrates economic development competency and references. Interns have contributed to community capacity by carrying out business retention and expansion projects, creating community investment profiles and development of project success stories found on the Northern Development website. Canada's Career Focus program supported the internships in part in 2013.

The interns are remunerated with a $20,000 contract for the six-month period. Northern Development interns have had 100% success in obtaining challenging permanent career positions in our region over the past several years.

In 2013, Northern Development recruited and trained five interns to start exciting careers: Caitlin Hartigan, Geoffrey Roy, Ethan Anderson, Dana Hawkins and Tyla Pennell. Geoffrey Roy has gone on to complete a local government management internship position in Burns Lake, Ethan Anderson accepted a contract position as Economic Development Officer in Ashcroft, Caitlin Hartigan returned to complete her master's degree, and has accepted a position with Northern Development as Manager, Market Development beginning in June 2014. Dana Hawkins accepted a position as a planning technician with the City of Prince George, and Tyla Pennell has accepted a local government management internship with the District of Taylor scheduled to begin in May 2014.

Local Government Management Internship

In 2013, Northern Development established the Local Government Management Internship program to respond to an ongoing need for management succession in municipalities and regional districts throughout central and northern B.C. The demand for succession candidates in local government is in part driven by impending retirements and a lack of qualified candidates in the region. The program was launched in collaboration with the University of Northern British Columbia and the Local Government Management Association.

More than two dozen recent university graduates have used Northern Development's internship programs to launch successful and rewarding careers in communities throughout central and northern B.C.

This program recognizes and builds on the education, training and career opportunities that exist in central and northern British Columbia communities. The program prepares young people for exciting careers in local government, while supporting capacity building and succession preparation for retiring senior staff in smaller, rural northern local governments. The internship program provides funding for central and northern local governments to host and mentor an intern for a 12-month period beginning in May of each year.

Northern Development provides $35,000 in funding to assist with the cost of hosting an intern. Local governments hosting an intern are required to provide a financial contribution toward the costs of the intern and commit sufficient human resources by senior management to support the mentoring, training and coordination aspects of the program. In 2013, six interns were recruited to work in regional local governments including: Mackenzie, Prince George, Fort St. James, Burns Lake, Vanderhoof, Valemount and McBride (Valemount and McBride shared an intern on a six-month rotation). All of the interns secured employment related to their post secondary education prior to their internships ending.

Communications Services

Joel McKay, Director, Communications delivered communications services to local governments throughout the Northern Development Initiative Trust region in 2013. Communications plans were developed collaboratively with nine local governments, and templates, strategy, advice and support were provided to a further 21 communities. In addition, 16 communications workshops ranging from how to work with media, effective crisis communications, and telling the stories of what is vibrant, unique and exciting in the local and regional economy have enabled an increase in the positive media coverage for this region. During 2013 Joel authored a monthly column in Business in Vancouver focused on making northern issues compelling to an urban audience. Because very few of the 49 local governments that are Trust stakeholders have communications staff, the increase in communications capacity building services 2013 was extremely well received. Over the last year digital outreach through multiple channels of YouTube, Facebook, Twitter, and e-newsletters dramatically increased the awareness about Northern Development programs and capacity building services, and how the region is working collaboratively to build a stronger north.

Investment Attraction

Northern Development has a strategic priority of raising the profile of central and northern B.C. in regions beyond our own in an effort to attract new residents, workers and investors to the region. Investment attraction is considered in our design of policy and programs. An example would be how the economic diversification infrastructure grants were increased up to $250,000 in 2013 to fund projects that bring new residents, and investors into the region through investment's in airport improvements in Terrace, Fort St. John, Anahim Lake, Fort Nelson, and Quesnel. In addition 47 "investment ready community profiles" were updated with current demographic statistics and facts which outline the cost of establishing and conducting business in any of our communities. Supply Chain Connector is a searchable supply sector database which was designed to enable regional companies to increase their business exposure and be considered for procurement requests from major infrastructure or resource development projects as well as showcase companies that may be looking for merger or partnership opportunities in their growth strategy.

The Buy-Local (Small Town Love) program was also designed to keep local dollars working in our communities and attract customers who may be travelling through our region for business or pleasure. The successful participation of six communities and over 200 independently owned businesses in 2013 enabled the board to understand how the program could positively impact investment attraction and they have directed resources to expanding the program across the region in 2014.

Our business programs that are outlined in this annual report are key to investment attraction. Workshops hosted by Northern Development including 'Intellectual Property Protection' presented by Gowlings LLP and 'What Angels Really Want' from New Ventures BC, 'US Market Intelligence for Canadian Manufacturers', 'Investor Readiness', and the Manufacturing CEO Roundtable, create the knowledge for local companies to grow their businesses and increase employment in our regional economy. A stronger north means that our business community is thriving and able to attract the financial capital, and workforce to grow, resulting in sustainable communities growth. Northern Development is dedicated to focusing on investment attraction with the same excellence we devote to our other strategic priorities so that the Trust maximizes its benefit to the region in the long term.

Village of Burns Lake

Northern Development's Community Halls and Recreation Facilities and Marketing Initiatives programs have supported investment in and development of recreation trails and events throughout the region, including the Burns Lake world-renowned mountain bike park.

Demonstrating Best Practices

Northern Development exhibits best practices in client services, financial management, fund management, reporting and governance. 'Best practices' is a qualitative priority area, in which Northern Development seeks continuous improvement to enhance robust systems that promote efficiency. Best practices therefore mitigate risk while maximizing internal capacities. 2013 saw the implementation of suggestions made by auditors and a five-year review committee, enterprise resource software improvements, updates to investment policy and enhanced reporting to stakeholders.

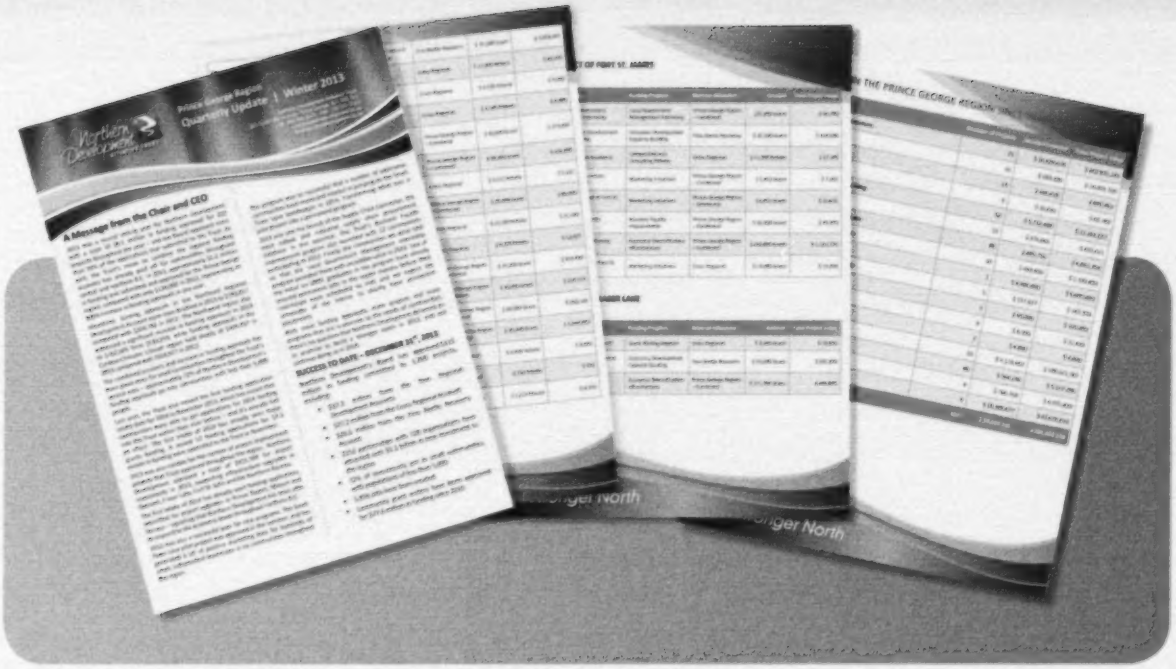
Client Satisfaction Surveys and Stakeholder Communication

Client satisfaction surveys are administered each year to solicit feedback on Northern Development programs and initiatives. 2013 surveys were provided to all projects that received a final payment or that were approved in 2013. 47 project proponents returned completed surveys. The survey was, as with prior years, administered in the three broad categories: application intake, contracts and disbursements and overall experience. Northern Development received an overall approval rating of 98% in 2013, which was much higher than the annual target of 90%.

Public Accountability and Reporting

In 2011, Northern Development adopted a new standard for stakeholder reporting, which continued into 2013. Quarterly reports are made available to stakeholders every three months. These reports provide regional account balances, year to date project approvals, total to date program commitments by region and a summary of combined investments from all accounts to date. Stakeholder feedback will continue to provide direction for this type of reporting.

The Northern Development Initiative Trust Act required the Trust to appoint an independent committee to review the Act and evaluate how it is functioning at five-year intervals. The first five-year Legislative Review Committee was formed in 2011. The Committee made several recommended updates to the legislation, including the expansion of investment sectors to include intellectual property and applied research, expansion of regional advisory committee representation to include First Nations, allowing for more timely board appointments, and others. Northern Development continues to await a government response to potential changes to the Northern Development Initiative Trust Act in light of these recommendations.

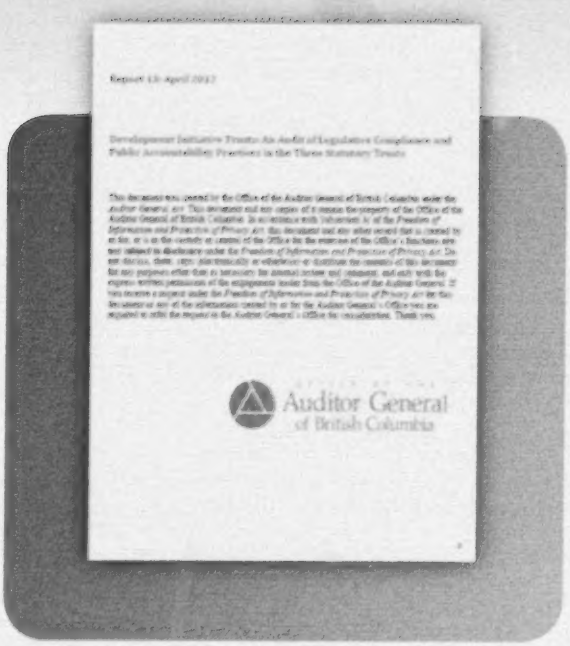


The Office of the Auditor General audit also resulted in some key recommendations, designed to enhance reports that already "reflect good practices for public accountability reporting." The key recommendations were to compare results to risk and capacity, and to provide both year-over-year and actual-to-goal comparisons as much as possible.

In 2013, the Auditor General requested that the Trust attend a review by the Select Standing Committee on public accounts. Northern Development received positive acknowledgement of fiscal accountability of the Trust and how it had incorporated the feedback from the Auditor General into the annual reports.

As recommended by the Office of the Auditor General, Northern Development continues to implement the B.C. Reporting Principles provided by the Officer of the Auditor General, which are available on pages 68 and 69 of this report.

Northern Development conducted its internal audit of all projects that received a final payment in 2012. Due diligence is conducted to the highest standards on project applications and on financial and performance reporting: internal audits are carried out in an effort to see where processes could be improved based on actual results. Some reporting recommendations were created as a result of this practice, which resulted in a review of the duration of annual reporting that is required by each of the programs offered to communities.



Robust Business Systems

Catalyst is an enterprise-level grants management software system that has been developed by Northern Development Initiative Trust since 2005 to enable Northern Development and other organizations to efficiently and accurately manage funding applications, due diligence, contributions and report to senior levels of government on outcomes.

Catalyst has been crucial in enabling Northern Development to meet exponential growth in program demand and funding outflow during the organization's operations.

The software system allows staff to responsively and responsibly manage a high volume of funding requests and disbursements with significant time available to focus on applicant coaching, community consultation and adding value to regional economic development.

In 2013, the Trust began the re-write of Catalyst to update the software system's programming language and reporting abilities. These improvements will allow Northern Development to create informative dashboards and new reporting capabilities for all of the Trust's programs. The new database is being designed so that it can be used on some mobile devices and be a web-based integrated system.

catalyst™
empowered project investment

Strong Investment Governance

Northern Development continues to improve upon its investment model. Northern Development works closely with its three investment managers to ensure timely information surrounding the investments are supplied to the board. Each of the investment managers presents investment results to the board on a quarterly basis. The most current Statement of Investment Policy and Procedures, governing market investments and guiding the investment managers, is available for download on Northern Development's website. Investment balances are further explored on pages 52 and 55 of this report.

Continuous Improvement

Further continuous improvement initiatives conducted in 2013 have aided in board governance education, updates to the Finance Operations Manual to promote more efficient operations, improvements to human resources processes to promote a strong culture and healthy working environment, and filing system improvements more compatible with Freedom of Information legislation. Northern Development will continue to work with stakeholders to enhance products and services over all facets of the organization that contribute to building a stronger north.

Northern Development's commitment to continuous improvement and ongoing refinement of best practices mitigates risk through the improvement of robust systems that ensure accuracy, diligence and timely feedback from stakeholders. Northern Development's operating budget has been consistent within .72% to .89% of the capital base between 2009 and 2013.

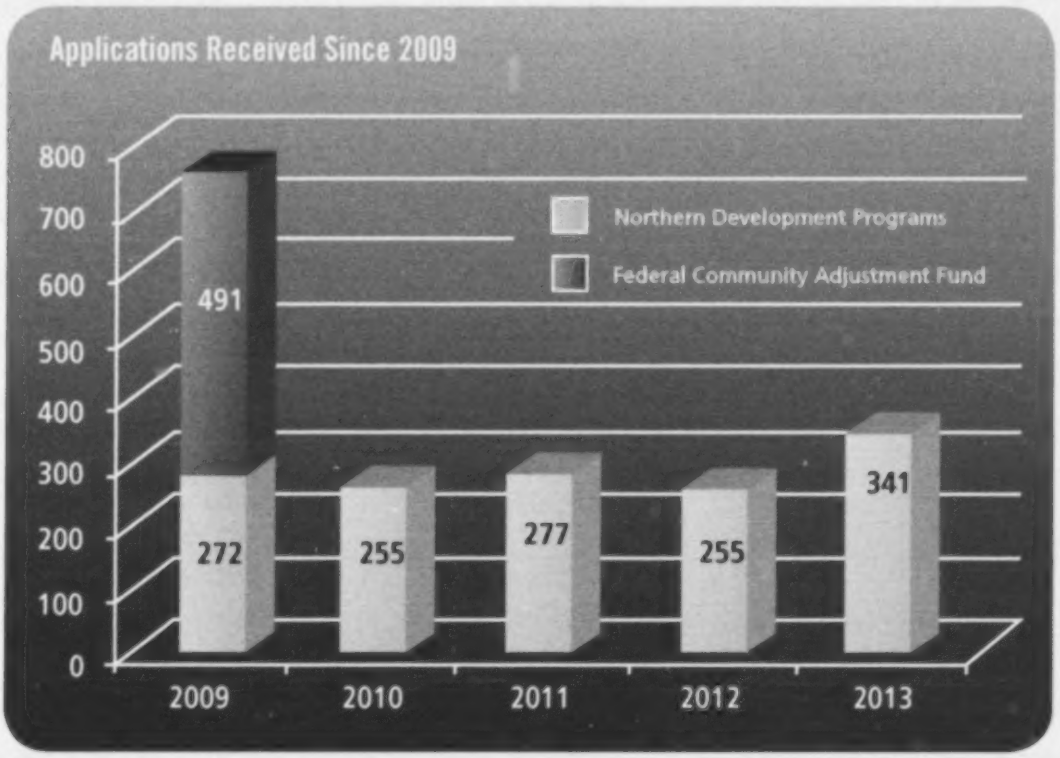
2013 Project Funding

Performance Indicators

This section of the annual report explores funding program delivery, relating several key performance indicators back to the strategic plan and in working toward the goals and achievements of Northern Development. This section is complimentary to the goals and achievements covered on pages 13 to 19 of this report.

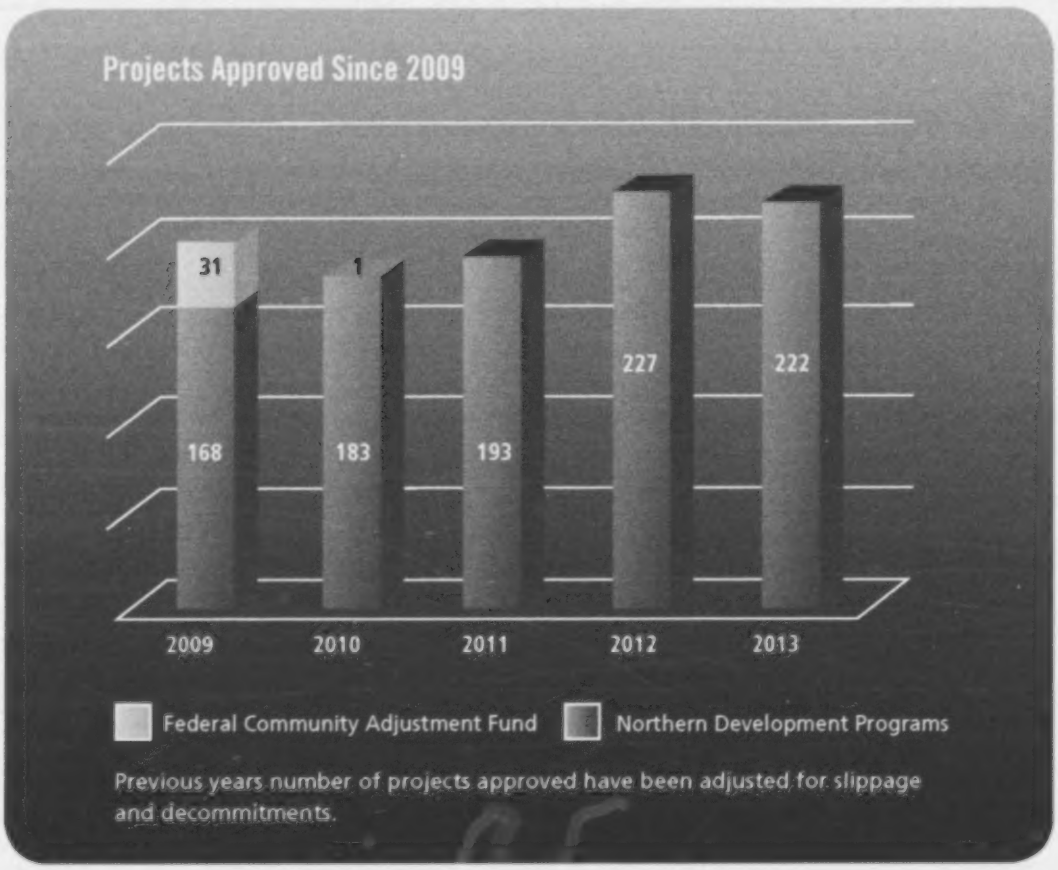
Application Intake

Application intake for Northern Development programs increased significantly in 2013, largely due to the fact that the Trust began accepting applications for the 2014 approval year in November of 2013, and the development of new programs. Application intake indicates relevance for stakeholders, and relates to the capacity building, business development and funding program delivery priority areas. Northern Development does not have an annual target for applications in any one given year, because they are stakeholder driven. Any large variances would lead to consultation with the board about program policies. No major changes from the current intake of applications are expected in 2014.



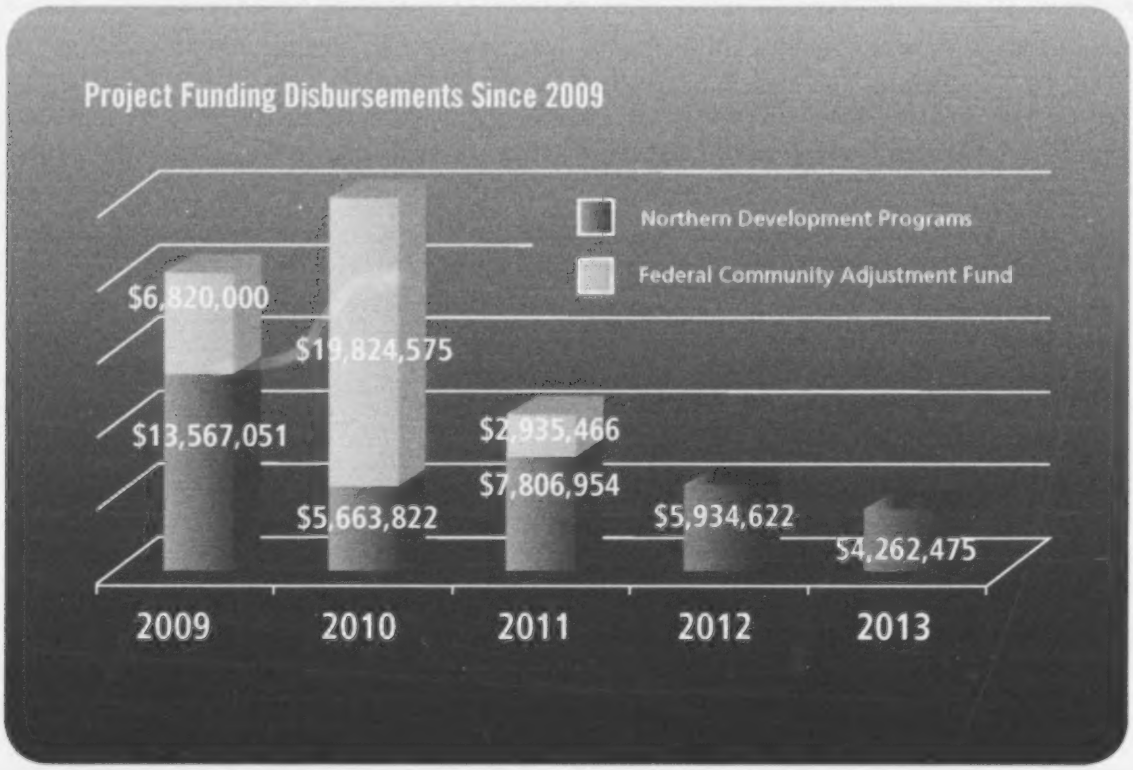
Funding Approvals

Funding approvals, like application intake, also indicates relevance for stakeholders and relates to capacity building, business development and community development funding program delivery. Approvals reflect the volume of staff due diligence on application intake. Optimal funding approvals would equal investment income, less inflation. However, approvals happen throughout the year, and cannot be timed perfectly with fluctuating income levels. Further, approved projects do not always proceed as planned, and funding may not be disbursed for a year or two after formal approval. Northern Development's board of directors therefore expect approvals to remain in the range of 5% of the six operational granting accounts which implies a range of $6 to $8 million. This range would be the target each year dependent on qualified applications from stakeholders, with little fluctuation in periods of either market growth or stress. Approvals of $6,138,875 in 2013 were within this range.



Disbursements

Disbursements, like approvals, are a key performance indicator in capacity building, business development and funding program delivery priority areas. Disbursements reflect the volume of staff due diligence on project financial reporting and Northern Developments capacity's to process project reporting and auditing. Project disbursements necessarily follow project approvals and the higher the level of disbursements, the more money Northern Development is investing in the region. Like most key performance statistics, disbursements do not tell the whole story, but they do provide a frame of reference for the goals and achievements discussed on pages 13 to 19.



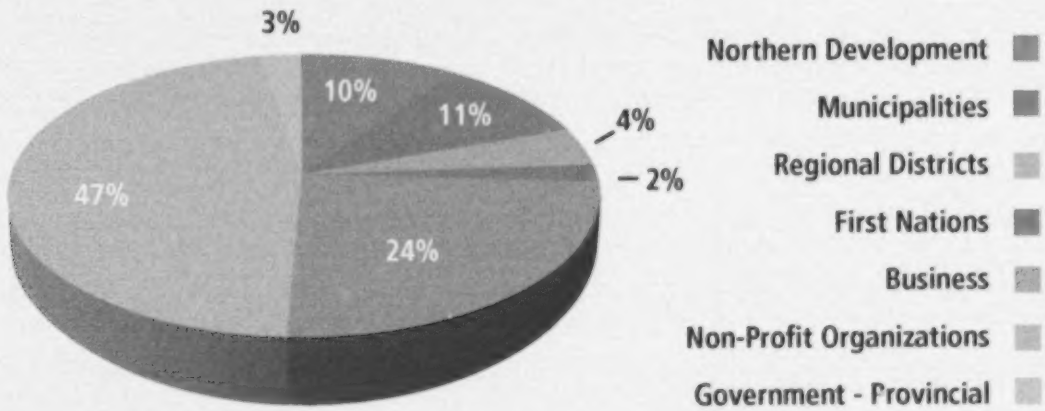
Job Creation

'Jobs' is the full-time equivalent number of positions created, and the largest key performance indicator of overall impact related to the goals and achievements discussed on pages 13 to 19. Northern Development does not use multipliers in reporting its jobs, but instead counts one direct job as one position. Jobs reported are based on formal, contracted annual proponent reports. Annual progression of jobs is provided in the goals and achievements section of this document. Jobs created through the Community Adjustment Fund program, business programs and community programs are shown in the table on page 14.

Other Funding Sources

Other funding sources is an indication of where leveraged dollars are coming from, supporting Northern Development's primary goal of bringing between $1 billion and $2 billion to the region by 2020. The federal government and private investment, both from business and non-profit enterprises, are seen as the most attractive project partners, though the province, municipalities, First Nations and regional districts also need to have a commitment in many projects to ensure successful completion. The breakdown below is the sum of funders listed in successful project applications to date.

Funding Sources



2013 Fund Balances

The 2013 year end investment account balance of Northern Development accounts was $199.2 million. Loans and interest receivable totalled a further $19 million, meaning the total capital balance of Northern Development was $218.3 million.

Northern Development's Statement of Investment Policies and Procedures provides direction from the board to investment managers. This minimizes risk and instills accountability. The Statement of Investment Policies and Procedures provides performance criteria to investment managers as the primary evaluation tool; current performance standards are that equity investments exceed the relevant index by 1.0%, and fixed income investments match the relevant index. Indexes are generally accepted standards against which the performance of a security or investment management firm can be measured. Indexes are usually composed of broad market equities and bonds, and the indexes identified in Northern Development's Statement of Investment policies and Procedures are provided below:

Investment Type	Index
International Equities	**Morgan Stanely Capital Investment (MSCI) World Indexes**
Canadian Equities	**S&P / Toronto Stock Exchange (TSX) Capped Composite Index**
Fixed Income	**DEX Bond Fund Indexes**

Northern Development investment balances, re-stated by asset type and with performance to the relevant benchmark comparison, are below:

	Investment Manager	Q4 Balance	2013 Performance to Benchmark
Short Term Bonds	TD Asset Management	$ 8,113,658	0.36%
Real Return Bonds	TD Asset Management	$ 17,001,171	0.08%
Canadian Bonds	TD Asset Management	$ 55,019,090	-0.15%
Canadian Equities	Mawer Investment Management	$ 51,670,883	13.60%
Global Equities	AGF Investments	$ 67,399,415	1.20%
Total		**$ 199,204,217**	
Regional Capital Investments (Loans)		**$ 19,091,152**	
Total		**$218,295,369**	

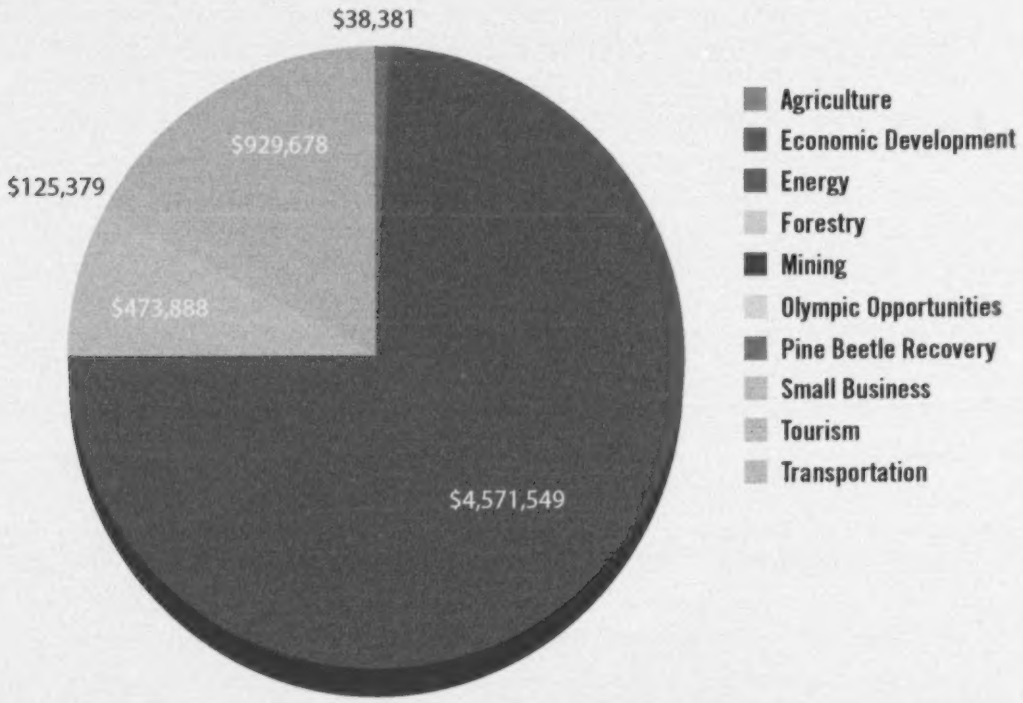
Northern Development's Statement of Investment Policies and Procedures also outlines what securities are eligible for investment, the asset mix between these securities, what constitutes conflict of interest and other guidelines and protocols. Investment managers are required to provide formal certification each quarter that investments remain within the mandate outlined in the Statement of Investment Policies and Procedures.

Northern Development will continue to work with top tier performing-investment managers to ensure returns to the north are maximized each year from a conservative balanced portfolio, and that the amount of funding available for projects remains at sustainable levels.

Legislated Investment Areas

It was anticipated by the Northern Development Initiative Trust Act legislation that funds would be committed to specific investment mandates. These areas were outlined in the legislation to demonstrate that funding was for economic development activities across a variety of mandates.

The following pie chart shows Northern Development's investment in each of the legislated investment areas for 2013:



Financial Statement of

NORTHERN DEVELOPMENT INITIATIVE TRUST

Year ended December 31, 2013

KPMG LLP
Chartered Accountants
177 Victoria Street, Suite 400
Prince George BC V2L 5R8
Canada

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Northern Development Initiative Trust

We have audited the accompanying financial statements of Northern Development Initiative Trust, which comprise the statement of financial position as at December 31, 2013, the statement of operations and fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Development Initiative Trust as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

February 11, 2014

Prince George, Canada

NORTHERN DEVELOPMENT INITIATIVE TRUST

Statement of Financial Position

As at December 31, 2013

	Unrestricted	Endowment		
	Operating	Operating Endowment Account	Invested in Tangible Capital Assets	Cross Regional
ASSETS				
Current Assets				
Cash	$ 156,598	-	-	-
Miscellaneous receivables	21,266	-	-	12,500
Prepaid expenses	70,255	-	-	-
Current portion of loans receivable (Note 2)	-	-	-	-
Total Current Assets	248,119	-	-	12,500
Other Non-Current Assets				
Loans receivable (Note 2)	-	-	-	12,612,087
Investments (Note 3)	2,999,097	25,000,000	-	47,568,022
Tangible capital assets (Note 4)	-	-	157,549	-
TOTAL ASSETS	$ 3,247,216	$ 25,000,000	$ 157,549	$ 60,192,609
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities (Note 5)	233,003	-	-	44,518
Current portion of loan repayable (Note 6)	-	-	-	-
TOTAL CURRENT LIABILITIES	233,003	-	-	44,518
Loan repayable (Note 6)	-	-	-	-
TOTAL LIABILITIES	233,003	-	-	44,518
Fund Balances				
Endowment fund (Note 7)	-	25,000,000	-	-
Externally restricted - uncommitted	-	-	-	56,585,790
Externally restricted - committed (Schedule 1)	-	-	-	3,562,301
Invested in tangible capital assets (Note 8)	-	-	157,549	-
Unrestricted	3,014,213	-	-	-
TOTAL FUND BALANCES	3,014,213	25,000,000	157,549	60,148,091
Contingencies (Note 9)				
Commitments (Note 10)				
TOTAL LIABILITIES AND FUND BALANCES	$ 3,247,216	$ 25,000,000	$ 157,549	$ 60,192,609

Approved by the Board:

Evan Saugstad, Chair
Northern Development Initiative Trust

Restricted						Total	
Pine Beetle	Cariboo-Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Regional Development	Other Trust Funds	2013	2012
-	-	-	-	-	$ 30,602	$ 187,200	$ 185,754
-	-	-	2,110	-	105,139	$ 141,015	222,722
-	-	-	-	-	-	$ 70,255	36,144
1,129,931	22,168	517,844	89,383	95,466	4,066,765	$ 5,921,557	6,618,891
1,129,931	22,168	517,844	91,493	95,466	4,202,506	6,320,027	7,063,511
1,854,706	32,003	1,161,791	973,962	601,810	3,579,997	20,816,356	24,050,268
22,657,861	23,249,809	21,999,973	27,262,890	28,504,700	-	199,242,352	178,546,968
-	-	-	-	-	-	157,549	170,599
$ 25,642,498	$ 23,303,980	$ 23,679,608	$ 28,328,345	$ 29,201,976	$ 7,782,503	$ 226,536,284	$ 209,831,345
19,275	20,226	19,097	23,717	24,812	-	384,648	420,364
-	-	-	-	-	4,066,765	4,066,765	3,999,875
19,275	20,226	19,097	23,717	24,812	4,066,765	4,451,413	4,420,239
-	-	-	-	-	3,579,997	3,579,997	7,646,762
19,275	20,226	19,097	23,717	24,812	7,646,762	8,031,410	12,067,001
-	-	-	-	-	-	25,000,000	25,000,000
22,549,514	20,420,656	22,316,398	27,212,853	22,355,477	135,741	171,576,429	153,077,505
3,073,709	2,863,098	1,344,113	1,091,775	6,821,687	-	18,756,683	17,997,389
-	-	-	-	-	-	157,549	170,599
-	-	-	-	-	-	3,014,213	1,518,851
25,623,223	23,283,754	23,660,511	28,304,628	29,177,164	135,741	218,504,874	197,764,344
$ 25,642,498	$ 23,303,980	$ 23,679,608	$ 28,328,345	$ 29,201,976	$ 7,782,503	$ 226,536,284	$ 209,831,345

NORTHERN DEVELOPMENT INITIATIVE TRUST

Statement of Operations and Fund Balances

For the 12 months ended December 31, 2013

	Unrestricted	Endowment		
	Operating	Operating Endowment Account	Invested in Tangible Capital Assets	Cross Regional
REVENUE				
Investment income	$ 1,108,596	-	-	$ 1,928,404
Interest income - Projects	667	-	-	378,363
Corporate contributions	-	-	-	-
Net unrealized gains/losses	2,200,903	-	-	4,258,639
Loss on disposal of tangible capital assets	-	-	(818)	-
Financial services revenue/recovery	-	-	-	12,500
TOTAL REVENUE	3,310,166	-	(818)	6,577,906
EXPENSE				
ADMINISTRATION EXPENSES				
Amortization	-	-	67,765	-
Direct project expenses	-	-	-	67,539
General administration	111,211	-	-	-
S/C, fees, dues, licences	12,510	-	-	-
Office expense	154,794	-	-	-
Professional services	132,703	-	-	-
Rentals and maintenance	54,179	-	-	-
Office supplies	26,967	-	-	-
Salaries and benefits	870,442	-	-	-
TOTAL ADMINISTRATION EXPENSES	1,362,806		67,765	67,539
BOARD and RAC EXPENSES				
Board Costs	21,119	-	-	-
RAC - Northeast	1,829	-	-	-
RAC - Prince George	4,445	-	-	-
RAC - Cariboo-Chilcotin/Lillooet	10,335	-	-	-
RAC - Northwest	16,545	-	-	-
TOTAL BOARD and RAC EXPENSES	54,273	-	-	-
TOTAL ADMINISTRATION COSTS	**1,417,079**	-	**67,765**	**67,539**
Database development	8,995	-	-	-
Website consulting	21,771	-	-	-
Catalyst conversion	61,425	-	-	-
Northwest Investment Portal	-	-	-	-
Central Investment Portal	-	-	-	-
Northeast Investment Portal	-	-	-	-
Cariboo Investment Portal	-	-	-	-
TOTAL INCREMENTAL PROJECT EXPENSES	92,191	-	-	-
Grants and loans (Schedule 1)	-	-	-	1,815,347
Less: repayable portion	-	-	-	-
NET GRANTS	-	-	-	1,815,347
TOTAL EXPENSES	**1,509,270**	-	**67,765**	**1,882,886**
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	**1,800,896**	-	**(68,583)**	**4,695,020**
FUND BALANCES, BEGINNING OF YEAR	1,518,850	25,000,000	170,599	55,453,071
Interfund transfers (Note 11)	(250,000)	-	-	-
Investment in tangible capital assets (Note 8)	(55,533)	-	55,533	-
FUND BALANCES, END OF YEAR	$ 3,014,213	$ 25,000,000	$ 157,549	$ 60,148,091

Restricted						Total	
Pine Beetle	Cariboo- Chilcotin Lillooet Regional Development	Northwest Regional Development	Northeast Regional Development	Prince George Reional Development	Other Trust Funds	2013	2012
$ 894,478	$ 936,388	$ 886,870	$ 1,106,211	$ 1,173,148	-	$ 8,034,095	$ 5,480,347
155,849	889	-	27,717	-	-	563,485	535,394
-	-	-	-	-	-	-	13,750
1,897,193	2,092,107	1,941,066	2,503,557	2,584,840	-	17,478,305	9,093,757
-	-	-	-	-	-	(818)	(138)
5,938	-	-	-	-	-	18,438	104,166
2,953,459	3,029,383	2,827,936	3,637,485	3,757,988	-	26,093,505	15,227,276
-	-	-	-	-	-	67,765	75,217
15,134	-	516	402	1,389	334	85,314	62,641
-	-	-	-	-	-	111,211	280,766
-	-	-	-	-	-	12,510	11,184
-	-	-	-	-	-	154,794	164,269
-	-	-	-	-	-	132,703	33,804
-	-	-	-	-	-	54,179	53,107
-	-	-	-	-	-	26,967	20,962
-	-	-	-	-	-	870,442	796,821
15,134	-	516	402	1,389	334	1,515,885	1,498,771
-	-	-	-	-	-	21,119	54,732
-	-	-	-	-	-	1,829	2,561
-	-	-	-	-	-	4,445	3,459
-	-	-	-	-	-	10,335	7,856
-	-	-	-	-	-	16,545	10,022
-	-	-	-	-	-	54,273	78,630
15,134	**-**	**516**	**402**	**1,389**	**334**	**1,570,158**	**1,577,401**
-	-	-	-	-	-	8,995	47,040
-	-	-	-	-	-	21,771	28,550
-	-	-	-	-	-	61,425	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	92,191	75,590
1,109,085	165,543	304,102	182,809	652,459	65,727	4,295,072	5,901,297
(115,515)	-	-	-	(488,931)	-	(604,446)	(1,432,782)
993,570	165,543	304,102	182,809	163,528	65,727	3,690,626	4,468,515
1,008,704	**165,543**	**304,618**	**183,211**	**164,917**	**66,061**	**5,352,975**	**6,121,506**
1,944,755	**2,863,840**	**2,523,318**	**3,454,274**	**3,593,071**	**(66,061)**	**20,740,530**	**9,105,770**
23,428,468	20,419,914	21,137,193	24,850,354	25,584,093	201,802	197,764,344	188,658,574
250,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 25,623,223	$ 23,283,754	$ 23,660,511	$ 28,304,628	$ 29,177,164	$ 135,741	$ 218,504,874	$ 197,764,344

NORTHERN DEVELOPMENT INITIATIVE TRUST

Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	$ 20,740,530	$ 9,105,769
Items not involving cash:		
Amortization	67,765	75,217
Net unrealized gains	(17,478,305)	(9,087,757)
Loss on disposal of tangible capital assets	818	138
Accrued interest on loans receivable	(752,908)	(406,816)
	2,577,900	(313,449)
Change in non-cash operating working capital:		
Miscellaneous receivables	81,707	38,061
Prepaid expenses	(34,111)	(1,326)
Accounts payable and accrued liabilities	(35,718)	(4,286)
	2,589,778	(281,000)
Financing:		
Repayment of loan repayable	(3,999,874)	(3,934,695)
Investing:		
Investments	(3,217,075)	601,792
Repayment of loans receivable	5,438,597	5,054,808
Advance of loans receivable	(754,447)	(1,430,201)
Acquisition of tangible capital assets	(55,533)	(45,792)
	1,411,542	4,180,607
Increase (decrease) in cash	1,446	(35,088)
Cash, beginning of year	185,754	220,842
Cash, end of year	$ 187,200	$ 185,754

See accompanying notes to financial statements.

Nature of operations:

Northern Development Initiative Trust (the "Trust"), a not-for-profit organization incorporated under the Northern Development Initiative Trust Act, operates primarily to be a catalyst for Northern B.C. and grow a strong diversified economy by stimulating sustainable economic growth through strategic and leveraged investments.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Trust's significant accounting policies are as follows:

(a) Restricted fund method of accounting:

The Trust follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Trust's general activities.

The Restricted Funds are comprised of the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account and Prince George Regional Development Account and report contributions restricted to activities outlined in their respective strategic plans. The Other Trust Funds are comprised of the Western Economic Diversification Community Adjustment Fund, Young Innovator Scholarship Fund, New Relationship Trust Fund and Northwest Powerline Fund and report contributions restricted to activities outlined in their respective strategic plans.

The Operating Endowment Account reports restricted resources contributed for endowment. Investment income earned on endowment resources is used for purposes prescribed in the Northern Development Initiative Trust Act.

(b) Investments:

Investments are recorded at fair value. The difference between historical cost and fair value is recorded as an unrealized gain or loss and recorded in the excess (deficiency) of revenue over expenditures in the period in which the difference occurred. Gains and losses realized during the year are computed using the average cost method and recognized directly in the excess (deficiency) of revenue over expenditures.

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the Trust's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Computer	33%
Computer software	100%
Furniture and fixtures	20%
Leasehold improvements	20%
Vehicles	20%

(d) Externally restricted - uncommitted funds:

Uncommitted externally restricted funds represent funds not committed at year end to specific project proposals.

(e) Externally restricted - committed funds:

Committed externally restricted funds represent funds at year end for specific project proposals that have been approved by the Board of Directors and the cash disbursement will not occur until a future date after year end once the conditions of the signed funding agreement are met.

1. Significant accounting policies (continued):

(f) Revenue recognition:

Externally restricted contributions received for the Cross Regional Account, Pine Beetle Recovery Account, Cariboo-Chilcotin Lillooet Regional Development Account, Northwest Regional Development Account, Northeast Regional Development Account, Prince George Regional Development Account and Other Trust Funds are recognized as revenue in the year received. All other externally restricted contributions received are recognized in the Operating Fund as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized to the extent received or receivable.

(g) Grants and repayable grants:

Grants and repayable grants awarded by the Trust are recognized when the conditions of the signed funding agreement are met and funds have been disbursed.

(h) Income taxes:

No provision has been made for income taxes in these financial statements as the Trust is exempt under Paragraph 149(1)(c) of the Income Tax Act.

(i) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies, and that have not been hedged, are translated into Canadian dollars at the rates of exchange in effect at the statement of financial position date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of income.

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of loans receivable. Actual results could differ from those estimates.

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Trust determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Trust expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

2. Loans receivable:

	2013	2012
Cross Regional Development Account - Prince George. Interest only payments with interest calculated at bank prime rate (December 31, 2013 - 3%). Repayable in annual installments of $378,363 in 2014, $901,223 in 2015, $1,607,367 in 2016, $1,568,546 in 2017, and $1,530,710 in 2018. Principal payments commencing in 2015.	$ 12,612,087	$ 12,612,087
Pine Beetle Recovery Account. Repayable in annual installments of $1,592,980 in 2014, $84,826 in 2015, $117,123 in 2016, $160,382 in 2017,and $187,688 in 2018, including interest between 0.0% and 6.8%. Certain loans are secured by specific property, assignment of life insurance and personal guarantee.	2,984,637	2,725,748
Cariboo-Chilcotin Lillooet Regional Development Account. Repayable in annual installments of $22,653 in 2014 and 2015, $5,204 in 2016 and a final payment in 2017 of $4,654, non-interest bearing.	54,171	105,010
Northwest Regional Development Account. Repayable in annual installments of $517,844 in 2014, $462,553 in 2015, $362,844 in 2016, $332,396 in 2017, and $2,000 in 2018, non-interest bearing.	1,679,635	2,213,478
Northeast Regional Development Account. Repayable in annual installments of $115,237 in 2014, 2015, 2016 and 2017, $111,400 from 2018 onwards including interest between 0.0% and 4.0%.	1,063,345	1,150,866
Western Economic Diversification Community Adjustment Fund. Repayable in quarterly installments of $1,045,955 in 2014 and the first quarter of 2015, $980,699 in the second and third quarter of 2015, $535,699 in the fourth quarter of 2015 and a final installment of $85,355 in the first quarter of 2016 including interest between 0.0% and 3.75%.	7,646,762	11,646,637

2. Loans receivable (continued):

	2013	2012
Prince George Regional Development Account. Repayable in annual installments of $95,466 in 2014, $102,131 in 2015, 2016 and 2017, and $98,263 in 2018, non-interest bearing.	697,276	215,333
	26,737,914	30,669,159
Current portion of loans receivable	(5,921,557)	(6,618,891)
	$ 20,816,356	$ 24,050,268

3. Investments:

The Trust's investments are held with Canadian Western Trust at fair market value.

	2013	2012
Fixed income balances:		
TD Short-term Bond Fund	$ 8,113,658	$ 10,726,460
TD Real Return Bond Fund	17,001,171	16,379,429
TD Canadian Bond Index Fund	55,019,090	51,822,706
	80,133,919	78,928,595
Equity balances:		
Mawer Canadian Equity Fund	51,670,883	43,645,933
AGF Global Equity Fund	67,437,550	55,972,440
	$ 199,242,352	$ 178,546,968

4. Tangible capital assets:

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Computer	$ 210,288	$ 156,366	$ 53,922	$ 40,664
Computer software	152,442	142,030	10,412	4,781
Furniture and fixtures	129,022	104,209	24,813	39,212
Leasehold improvements	47,676	15,539	32,137	36,905
Vehicles	63,858	27,593	36,265	49,037
	$ 603,286	$ 445,737	$ 157,549	$ 170,599

5. Accounts payable and accrued liabilities:

	2013	2012
Trade and accrued liabilities	$ 358,312	$ 398,098
Payroll and withholding taxes	26,336	22,266
	$ 384,648	$ 420,364

6. Loan Repayable:

The loan repayable relates to the Western Economic Diversification Community Adjustment Fund and will be repaid under the same terms as detailed for the loan receivable in Note 2.

7. Endowment fund:

The Endowment Fund was established to receive proceeds of $25,000,000 from the Government of British Columbia pursuant to terms of the Northern Development Initiative Trust Act ("NDIT Act"). Interest or other income earned from the money invested may be used to cover operating expenditures incurred by the directors and officers of the Trust to perform their obligations under the NDIT Act. Income earned on the endowment is recorded fully in the Operating Fund. Included in operations is investment income of $1,108,596 (2012 - $945,363) and net unrealized gains of $2,200,903 (2012 - $1,294,396) for the year ended December 31, 2013.

8. Invested in tangible capital assets:

Invested in tangible capital assets is calculated as follows:

		2013		2012
Opening balance	$	170,599	$	200,162
Acquisition of tangible capital assets		55,533		46,592
Proceeds on disposition of tangible capital assets		-		(800)
Gain on disposition of tangible capital assets		(818)		(138)
Amortization		(67,765)		(75,217)
	$	157,549	$	170,599

9. Contingent liabilities:

The Trust is contingently liable as guarantor of loans with unrelated parties in the amount of $3,354,866 (2012 - $3,295,066).

The Trust has a demand credit facility for standby letters of credit authorized to $15,000,000, secured by a general security agreement placing a first-priority interest in all present and future property of the Trust. As at December 31, 2013 there were two letters of credit issued for a total of $4,000,000, expiring between May and December 2014.

10. Commitments:

The Trust leases premises under a lease which expires May 2019 and certain computer and office equipment. The minimum lease payments in each of the next five years are:

2014	$	125,963
2015		125,963
2016		122,078
2017		119,303
2018		119,303
	$	612,610

11. Interfund transfers

	2013	2012
Transfers from the Operating Fund to the Pine Beetle Recovery Account:		
Loan repayment	$ 250,000	$ 250,000
Transfers from the Operating Fund to the Invested in Tangible Capital Assets Fund:		
Acquisition of tangible capital assets	55,533	45,792
	$ 305,533	$ 295,792

12. Financial risks:

(a) Currency risk:

The Trust is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Trust purchases investments denominated in foreign currency. The Trust does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2012.

(b) Market risk:

The Trust derives revenue from its equity and fixed income investments which are subject to market fluctuations. The Trust employs investment diversification to manage this risk.

(c) Credit risk:

The Trust is exposed to credit risk from the possibility that borrowers may default on their obligations. Management attempts to mitigate this risk by ensuring that proper due diligence is performed before funding is committed.

(d) Liquidity risk:

Liquidity risk is the risk that the Trust will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Trust manages its liquidity risk by monitoring its operating requirements. The Trust prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2012.

(e) Interest rate risk:

The Trust's fixed income securities and certain loans receivable are subject to interest rate risk. Rising interest rates may cause a decrease in the value of these securities. The Trust employs investment diversification to manage this risk.

13. Employee future benefits:

The Trust, and its employees, contribute to the BC Public Service Pension Plan (the "Plan"), a jointly trusteed pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 56,400 active members and approximately 40,500 retired members. Active members include approximately 85 contributors from the provincial government, crown corporations, government agencies and not-for-profit organizations.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation was performed as at March 31, 2011. The valuation shows a deterioration in the actuarial position for the Basic Account, from a surplus of $487 million as at March 31, 2008, to an unfunded liability of $275 million as at March 31, 2011. The actuary does not attribute portions of the unfunded liability to individual employers. Consequently, the Trust's share of this liability cannot be determined. The main reasons for the deterioration in the actuarial position are that the investment returns were lower than were assumed and there were changes in the demographic assumptions. The Trust paid $74,340 (2012 - $67,233) for employer contributions to the Plan during the year.

NORTHERN DEVELOPMENT INITIATIVE TRUST

Schedule of Externally Restricted - Committed Funds

SCHEDULE 1

Year ended December 31, 2013

Account	Total Funding Approved	Grants and loans 2013 Disbursements	Grants and loans 2012 Disbursements	2013 Outstanding Commitments	2012 Outstanding Commitments
Cross Regional Account	$ 27,161,040	$ 1,815,347	$ 1,983,139	$ 3,562,301	$ 3,945,676
Pine Beetle Recovery Account	20,568,910	1,109,085	2,390,435	3,073,709	3,497,905
Cariboo-Chilcotin/Lillooet Regional Development Account	8,569,401	165,543	391,109	2,863,098	2,529,760
Northwest Regional Development Account	11,266,201	304,103	296,213	1,344,113	990,328
Northeast Regional Development Account	4,551,204	182,809	137,798	1,091,775	685,111
Prince George Regional Development Account	12,823,217	652,459	474,218	6,821,687	6,275,992
Other Trust Funds	30,460,588	65,726	228,384	-	72,617
TOTAL	**$ 115,400,561**	**$ 4,295,072**	**$ 5,901,296**	**$ 18,756,683**	**$ 17,997,389**

Reporting Principles Table

The first two columns of following table were provided by the Office of the Auditor General in its combined audit report after a review of three statutory trusts. Northern Development has added the column on the far right, the page numbers where each of these reporting principles can be found.

BC Reporting Principle	Ways the statutory trusts can improve in their annual reports	Northern Development Annual Report
1. Explain the public purpose served. Public performance reporting should explain why an organization exists and how it conducts its business, both in terms of its operations and in the fundamental values that guide it.	• Explain public purpose served - that is, describe the effect of funded projects on goals • Disclose values, guiding principles and behavior standards that guide conduct	• Public purpose served is found on Pages 4 -11 • Guiding principles / values also found throughout introductory section, especially pages 8 -11
2. Link goals and results. Public performance reporting should identify and explain the organization's goals, objectives and strategies and how they relate to the results achieved.	• Describe how short-term performance impacts long-term goals and objectives • Explain relevance of individual measures and meaning of results achieved • Clarify updated goals in relation to reported results and explain adjustments • Explain how goals and key performance indicators will be achieved	• Descriptions throughout the Five Strategic Priority Areas section, pages 12 - 41 • Explanations throughout the Five Strategic Priority Areas section, pages 12 - 41 • Clarification throughout the Five Strategic Priority Areas section, pages 12 - 41 • Explanations throughout the Five Strategic Priority Areas section, pages 12 - 41
3. Focus on the few, critical aspects of performance. "Few" means that the goals, objectives and performance measures described are limited in number. Critical aspects of performance address significance, relevance and results focus.	• Include results of a test of goals and of objectives' relevance with stakeholders • Include environmental scan that establishes content and challenges • Explain how environment impacts achievement of goals and objectives • Provide more detail when helpful to readers' understanding	• Goals are tested through development of Strategic Plan with Advisory Committees, as discussed pages • Discussion of statistical results pages 13 - 19, and 42 - 45 limited to key goals and indicators • Introductory section provides background pages 4 -10, while analysis occurs throughout the report • All statistical comparisons are aided with textual analysis
4. Relate results to risk and capacity. Good performance reporting should report results in the context of an organization's risks and its capacity to deliver on its programs, products and services.	• Identify types of risks faced, management strategy and overall tolerance • Explain how risks influence the goals, objectives and programs/service delivery strategies chosen • Discuss internal capacity (e.g. where capacity is needed for long-term success) • Discuss whether necessary funds, infrastructure and people are in place to meet objectives	• See Best Practices section, pages 38 - 41 • See Best Practices section, pages 38 - 41, and 2013 Fund Balances section, pages 46 - 47 • See Best Practices section, pages 38 - 41 • See Best Practices section, pages 38 - 41

BC Reporting Principle	Ways the statutory trusts can improve in their annual reports	Northern Development Annual Report
5. Link resources, strategies and results. Public performance reporting should link financial and performance information to show how resources and strategies influence results. Also shown is how efficiently the organization achieves its results.	• Provide more information on funding partners (e.g. levels of government, other sources) • Discuss the costs of each performance measure • Include forecasted expenditures • Include management discussion and analysis section	• Costs clearly explained throughout report • Provided in-program discussion / trends analysis throughout report • Letter from the Chair and CEO pages 4 - 5 and Discussion of Five Priority Areas, pages 12 - 41
6. Provide comparative information. Public performance reporting should provide comparative information about past and expected future performance and about the performance of similar organizations when that would significantly enhance a reader's ability to use the information.	• Ensure consistency (format, structure) of strategic plan and report • Include annual performance targets, not just long-term targets • Indicate the year-over-year performance and describe current performance • Explain any significant year-over-year data inconsistencies • Include strategic context section (with environmental scan)	• Strategic Plan updated annually with a rolling three year strategic plan • Comparison to annual targets added wherever possible, pages 13 - 19 • Year over year comparison added wherever possible, pages 13 - 19 and 42 - 45 • Textual analysis accompanies all statistics given for pages 13 - 19 and 42 - 45 • Strategic context provided pages 8 - 11, environmental scan forthcoming in Strategic Plan update
7. Present credible information, fairly interpreted. Public performance reporting should be credible- that is, based on quantitative and qualitative information that is fairly interpreted and presented.	• Discuss how performance measures are used to manage performance • Identify where performance measures have changed and why • Identify how performance information is measured and determined • Discuss planned response to performance results • Identify where strategies need to be revised • Interpret results (e.g. provide comparisons between planned and actual results; trend analyses; comparisons with other organizations or industries)	• See discussion on pages 13 - 19 and 42 - 45 • See discussion on pages 13 - 19 and 42 - 45 • See discussion on pages 13 - 19 and 42 - 45 • See discussion on pages 13 - 19 and 42 - 45; also covered in Five Priority Areas section. • See discussion on pages 13 - 19 and 42 - 45 • See discussion on pages 13 - 19 and 42 - 45
8. Discuss the basis for key reporting judgments. Public performance reporting should disclose the basis on which information has been prepared and the limitations that should apply to its use.	• Disclose changes to goals, objectives or performance measures • Describe why reported data is relevant and reliable • Explain why performance measures have been chosen • Explain significance of achieving performance level targets • Explain how measures are derived • If applicable, identify data acquired from third parties • Have non-financial performance information independently verified	• Primarily pages 8 - 19 • Self-evident; most data derived from project applications and reports • All statistics reported are provided with an interpretation • All statistics reported are provided with an interpretation; especially pages 42 - 45 • Primarily pages 8 - 19 • Not applicable

Staff

Janine North	Chief Executive Officer
Brenda Gendron	Chief Financial Officer
Renata King	Director, Business Development
Dean McKinley	Director, Economic Development
Joel McKay	Director, Communications
Karen Borden	Executive Coordinator
Tess Elo	Accounting Coordinator
Michelle Vander-Velden	Client Services Clerk

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